

# money marketing

**Hugh Young**  
China's road  
to redemption  
and growth **24**



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**Seeing  
things  
differently**

Shake-up to  
pension tax relief  
is fraught with  
difficulties

**Technical  
area 40**

**Pensions**  
Treasury feels the  
heat on Pension  
Wise data **8**

**Nic Cicutti**  
Osborne goes  
where others  
fear to tread **32**



**Networks**  
Financial Ltd could  
be wound down in  
radical restructure  
**12**



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# Editor's view

**NATALIE HOLT**

## Govt is dodging a bullet on pension tax relief

After being berated for failing to consult with the industry over the rollout of pension freedoms, George Osborne may have just learned his lesson.

Last week's summer Budget saw a very loose and open-ended consultation on pension tax relief and "strengthening the incentive to save". Apart from floating a vague idea about "treating pensions like Isas", it is clear the Chancellor is expecting financial services firms to come up with the answers.

For Osborne, the watchword for any new model for pension taxation is "sustainability". In other words, he wants it to be cheaper. With pension tax relief costing the Government almost £50bn in 2013/14, you can see why.

When you dig into the specifics of how to unravel the current pension tax regime, there are no easy solutions. This is a bullet the Government is only too eager to dodge.

Firstly, let's deal with moving to the taxed-exempt-exempt model. There is the knock-on impact that taxing contributions aimed at plugging pension deficits would have on already-strained defined benefit schemes.

There is also the interaction with auto-enrolment to consider, plus potential wrangles with European regulators over creating a pan-European pension.

Another objective Osborne wants to achieve is for any reform to pension tax to be "simple and transparent".

Advisers, providers and lobby groups have plenty of time (around 11 weeks) to meet this brief, and there are some alternative models already to hand: a flat rate



of tax relief set around 30 per cent, as first mooted by Steve Webb; scrapping the lifetime allowance; Government top-ups or matching contributions to encourage lower earners to save.

Yet as Osborne preaches about simplicity, in the same breath he seems determined not to deliver it. From April 2016 higher earners will see their annual allowance tapered, so that those with income above £150,000 will be limited to £35,000 in annual pension saving, moving down to £10,000 for those

**As Osborne preaches about simplicity, in the same breath he seems determined not to deliver it**


on more than £210,000. The net has been cast wider than previously thought as income has been defined to include individual and employer pension contributions. Coupled with the changes to pension input periods, the resulting system is more complicated, not less.

The tapered annual allowance is also a vehicle to reduce pension tax relief further still if Osborne or future chancellors are blinded by pound signs in their eyes down the line.


How this squares with "strengthening the incentive to save" has not been made clear.

**Natalie Holt is editor of Money Marketing. Follow her on Twitter: @Natalie\_Holt\_MM**

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going on behind the scenes at MM

### THIS WEEK'S MUST READS

**Pensions**  
Govt rethinks  
transfers  
stance with  
new tax break  
**Page 21**

**Stephen  
Womack**  
Pity the poor  
CII examiners  
**Page 35**



**Protection**  
UK commission  
backlash looms  
as Australia sets  
cap **Page 30**

# The dark side

## Government warned over pension tax relief overhaul complexities

**SAM BRODBECK**

Flipping the pensions tax system on its head could be the final nail in the coffin for defined benefit schemes, add complexity to automatic enrolment and put the UK out of step with Europe.

As part of last week's summer Budget, the Treasury published a 12-week consultation on reforming the pension tax relief system.

Chancellor George Osborne says the aim of the reform is to "incentivise more people to take responsibility for their pension saving" but commentators point to the nearly £50bn annual cost to the Exchequer of lost income tax and National Insurance contributions.

The consultation leaves every option open but will Osborne be able to resist such a sweet honey pot as he seeks to cut the national debt? *Money Marketing* investigates the implications of reform.

### Final nail for final salary

In his Budget speech, Osborne said he was "open to further radical change", adding "pensions could be like Isas - you pay in from taxed income and it is tax-free when you take it out and in between it receives a top-up from the Government".

However, the accompanying con-

sultation also weighs up "less radical changes", including retaining the current system and "options in between".

Hargreaves Lansdown head of pensions research Tom McPhail says: "His speech and the consultation looked like two different things. It begs the question, to what extent has Osborne already decided what is going to happen? It could be the case he has a preferred direction of travel and underlying philosophy about this - small Government, small taxation, small relief - but genuinely does not know what the answer looks like and is consulting to see where it might take him."

Moving away from the current model of upfront tax relief and taxed pensions in payment, known as exempt-exempt-taxed, would give Treasury coffers a huge short-term boost.

But experts say switching systems could have devastating consequences for already struggling defined benefit schemes.

Corporate pension consultancy Hymans Robertson partner and head of DB Calum Cooper says moving to taxed-exempt-exempt would create a "perfect storm" and lead to the rapid closure of schemes.

He says: "In the extreme case DB liabilities will be in excess of £2trn

this year and the journey to settle the deficit is around £900bn. If the deficit contributions that scheme sponsors make were no longer tax exempt, it will cost potentially £200bn to £300bn more to clear deficits.

"The DB world is already suffering from relatively low long-term interest rates, which has pushed deficits up, and the end of contracting out means DB schemes are already going to get a lot more expensive as we go into this year's valuations."

Hymans predicts up to 250 schemes could be closed entirely - to new members and future accrual - in the next nine months if the Government signals it plans to overhaul the entire system.

According to the Pension Protection Fund, there are 1.8 million active members of DB schemes, while only 22 per cent of schemes are still open to new members.

Fidelity Worldwide Investment retirement director Alan Higham says the Government would be forced to carve out DB schemes from the proposals for fear of a union backlash. He says: "You could put an argument that says let's leave DB as it is. The reality is the vast bulk of DB schemes are for public sector workers and if you introduce a consistent policy of taxing contributions

up front, all public sector workers in DB schemes will see a cut in take-home pay.

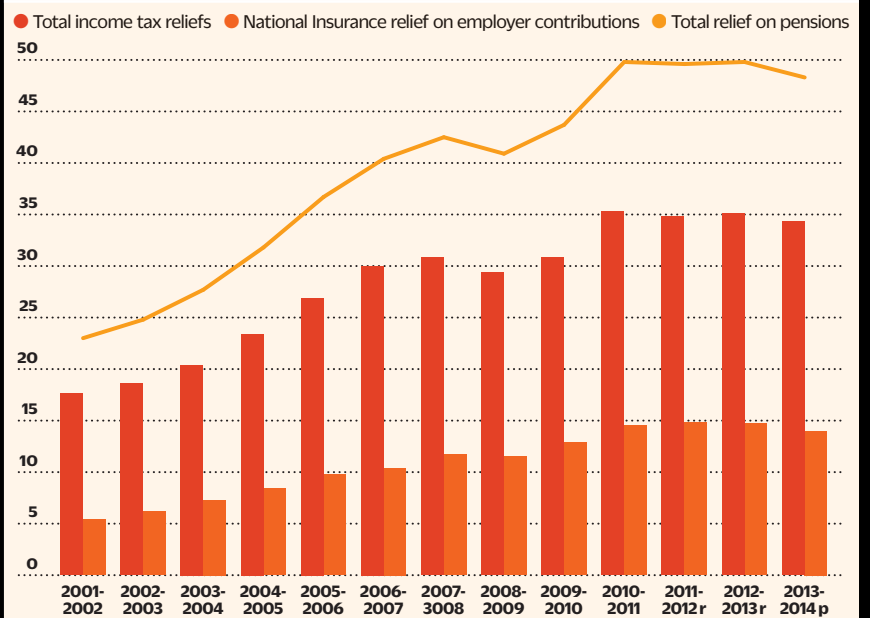
"It doesn't make any sense to reduce take-home pay in public service, it would be a huge fight the Government would have with the unions and they would lose.

"You'd see every public sector employee in the country on strike and they'd stay on strike for as long as it took. Of course, if the Government did carve out DB they'd get absolutely slaughtered in the press as it would give well paid civil servants a huge tax advantage."

### Auto-enrolment

Any changes to tax relief are likely to come at the same time as the final, smallest employers approach their auto-enrolment staging date.

Old Mutual Wealth retirement planning manager Adrian Walker predicts a pension tax overhaul in April 2017 is most likely, the same month firms with fewer than 30 employees will have to comply with their duties. Walker says switching systems would not be insurmountable, even for the smallest em- ►

**HONEY POT - GROSS COST OF PENSIONS TAX RELIEF (£BN)**

SOURCE: OFFICE FOR NATIONAL STATISTICS

## PENSIONS

players, as long as the changes were signposted well in advance, but others warn the incentive to save into a pension could be severely weakened.

McPhail says: "If you take away the tax relief, why would I want to lock my money up in a pension? Even with an employer contribution, that's not enormously attractive."

"In order to persuade people that it's worthwhile you might have to force employers to substantially increase their contributions - effectively substituting tax relief with an employer contribution. It's a similar principle with the living wage, getting employers to pay extra."

Standard Life head of pensions strategy Jamie Jenkins says removing relief hits the logic of enrolling someone into a pension.

He says: "Auto-enrolment is predicated on a couple of conditions. There are employer contributions and you get tax relief. You don't get that combination in any other product so it seems alright to put people into a pension without asking them because it's so obviously beneficial for the vast majority."

"If you took away the benefits and said this is pretty comparable to an Isa or a bank account, it's not so obvious to put people in without asking them."

**Against the grain**

European efforts to harmonise pensions across member states could also come unstuck if the Government pushes ahead with the proposals. The European Commission is openly in favour of EET and ETT

models. It says it supports deferred taxation "since contributions to pension funds diminish a person's ability to pay taxes and since it encourages citizens to save for their old age".

The Commission adds: "In addition, it will help member states to deal with the demographic time-bomb as they will be collecting more tax revenues at a time when more elderly people may call on the state for care."

Earlier this month the European Insurance and Occupational Pensions Authority launched a consulta-

tion on plans to create standards for pan-European pension products.

Eiopa says a "harmonised legal framework" should ensure a level playing field between providers, remove existing barriers to cross-border business and encourage people to save through multiple "pillars".

But law firm Eversheds senior associate Tim Smith says: "Most tax systems in the EU are EET, clearly if the UK took a decision to change and was then out of step with the EU it would make it more difficult to develop a pan-European pension plan."

"One issue would be if someone was saving in the UK and then moves to another EU member state, they've already paid tax on the way in and clearly wouldn't want to pay tax on the way out as well. So immediately you've got an issue of double taxation and that would need to be addressed in a pan-European system."

**The alternative**

The option in between a move to TEE and no change is to introduce a flat rate of tax relief, an idea promoted by former pensions minister Steve Webb and increasingly favoured by the industry. Under this system, relief would be redistributed towards lower and middle-income earners while the Treasury would make a saving, although far less than TEE would bring.

Cooper says: "It's not obvious that the barrier to saving is lack of understanding of the tax system. If the aim is to redistribute, the flat rate would do that and if we want to increase engagement, we can use inertia - that would be better than ripping up the system."

McPhail agrees: "Some kind of flat rate incentive around 30 per cent feels like the most logical middle ground between the current system and the nuclear option."

But Tisa director general David Dalton-Brown says the market has misread Osborne's comments.

"What makes Isas so successful is consumers fully understand them, the language used is easy to understand whereas pension jargon is complex. He's trying to say pensions should be easier to understand and use."

**ADVISER VIEWS**

**Tim Page**  
Director  
Page Russell

With a prize of £50bn a year of tax relief saved upfront there is a huge incentive for the Government to push forward with these plans. I'm sure the pension providers are tearing their hair out at the thought of running yet another type of pension alongside their existing ones. Simplification is now a distant memory. Maybe the Government is thinking that by the time auto-enrolment is fully implemented there will be less need for the upfront tax relief to incentivise people to save in pensions.



**Tristan Brodbeck**  
Director  
Tristan Brodbeck  
Financial Planning

What on earth is Osborne up to? There are three reasons people don't save enough for retirement: they don't have enough surplus income; they're confused because the pension system is changed every fortnight by politicians; and they buy a house instead because the property market's juiced up by these same politicians. Making pensions more like Isas is missing the point, since it has never really mattered where you save, it's how much and for how long that's critical.

**EXPERT VIEW**

**TIM SMITH**

## Tax overhaul risks causing havoc

**Y**et again, the latest Budget has introduced the prospect of further fundamental change to the UK pensions system. Hot on the heels of auto-enrolment and freedom and choice, we now face the prospect of another radical overhaul which could see the system of pensions tax relief turned on its head. In principle, I have no objection to a taxed-exempt-exempt system if we were setting up a pension system from scratch. Many countries operate a TEE system without issue.

However, changing the rules when you are already well into the game risks creating havoc by introducing a huge amount of additional complexity into an already complex system. Moving from the current exempt-exempt-taxed system of tax relief to a TEE system would create significant administrative difficulty for pension plans and providers which could be required to operate the two systems side by side for a

generation or more. Savings built up under the current system and those built up under the new would need to be ringfenced to ensure they were taxed appropriately. This would be a major challenge, especially in the low-cost environment within which most schemes are now required to operate.

In addition, someone will have the unenviable task of trying to explain to members their savings in pot A will be taxed on the way out (although some may be taken tax free) whereas their savings in pot B have already been taxed. Trying to work out the most tax-efficient way to take their savings will be a monumental task for savers, making the job of bodies like Pension Wise even more challenging.

Moving to a TEE system would also put the UK out of step with most of Europe and it would significantly undermine Eiopa's plans for the creation of pan-European personal pension plans, which were trumpeted in the day before the Budget announcements. Most countries in Europe operate

a system of deferred pensions taxation and this approach is supported by the European Commission.

If the UK were to break ranks it would make establishing pan-European pension arrangements much more difficult. For example, who would collect the tax if someone built up pension savings under an EET system and then moved to the UK? How would double taxation be avoided if someone built up pension savings in the UK and then moved to a country with an EET system?

One particularly interesting feature of the Budget is it suggests the Treasury - rather than the Department for Work and Pensions - may now be playing the leading role in the development of UK pensions policy.

This carries the risk UK pensions policy is developed as much to assist short-term deficit reduction as it is about developing a stable long-term savings environment.

*Tim Smith is senior associate at Eversheds LLP*



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# Blind faith

## MARK SANDS

The Treasury is facing mounting pressure from senior politicians, insurers and advisers over its refusal to publish data on the industry-funded guidance service Pension Wise.

The Government's guidance offering came into being shortly ahead of pension freedom on 6 April.

But requests for basic information from *Money Marketing* on how the service is performing have repeatedly been blocked by officials.

In February, the Treasury said it would not publish information on forecast numbers for the service, claiming any benefits of disclosure would be outweighed by "the

risk that public exposure when preparing and finalising policy advice would make civil servants less likely to provide full and frank advice or opinions on policy proposals".

The Treasury again spurned a Freedom of Information request from *Money Marketing* in early July, saying it was not required to publish information on customer satisfaction with Pension Wise because it can determine its own publication deadlines. And this week, the FCA rejected a further

FoI which asked how many firms it was investigating for impersonating the Pension Wise service, or purporting to offer free pension reviews in the aftermath of the reforms.

## Transparency

The repeated refusal of the Government and the regulator to come clean over Pension Wise has now drawn the ire of influential politicians.

Labour shadow pensions minister Lord Bradley says transparency needs to be addressed so the guidance

service is properly held to account.

Following his own request for information, Bradley was told by the Government that, as of 6 April, Pension Wise had handled more than 3,600 calls on the new freedoms.

Additionally, around 1,400 people had booked a telephone guidance appointment with The Pensions Advisory Service, and nearly 380 people had booked a face-to-face appointment with Citizens Advice.

Bradley criticised the response as "limited".

He says: "So far the information on Pension Wise is extremely lim-



# The pressure is mounting on the Treasury as it refuses growing calls to release Pension Wise data

ited and we need to pursue that to make sure consumers are getting the services they need. The Government assured us it would be completely transparent with these matters and it has to follow up that commitment, and we will rigorously pursue this on behalf of consumers."

The Scottish National Party is also planning to ramp up pressure on the Treasury.

SNP pension spokesman Ian Blackford says: "This is very high on my radar. We are all for consumer choice but we need to make sure there is consumer protection and an appropriate level of guidance for all."

The MPs' intervention follows criticism from the Association of British Insurers. Speaking at the launch of the All-Party Parliamentary Group on pensions last week, director of long-term savings policy Yvonne Braun said: "Why, nearly 100 days into the implementation of the policy, do we have provisional early data on everything except the performance and take-up of Pension Wise?"

"The industry wants the service to succeed, given that we fund it, and the more people use it, the better equipped they will be to make use of the freedoms."

## Adviser anger

The advice sector, which will have to stump up £4.2m of the £35m costs for running Pension Wise in 2015/16, has

also expressed anger at the Government's failure to publish information on the service.

Apfa director general Chris Hannon says: "People are only going to be able to help improve the service with some data about what's going on, but how do we find out if we're flogging a dead horse if we can't see what is working and what is not working? We are already paying too much for it, and if you can tell already that there's not too much interest in it from the general public, then maybe we can rein in the budget and not provide so much."

"From what I have heard anecdotally there does not seem to be advisers overrun with demand coming from Pension Wise, so that would suggest our argument that advisers would benefit less than forecast was right."

Plan Money director Peter Chadborn says: "Pension Wise has been running for long enough now to see how it has been progressing in the early stages. And if improvements can be made it's better to put this information out in the open so we can make changes now rather than having a review two years later on."

"But there needs to be enough transparency, and if the Treasury aren't forthcoming with this information, then they can't be surprised if people get a little bit cynical about the whole process."

## Low take-up

Earlier this month, a Hargreaves Lansdown survey of 300 investors found just 10 per cent of the first cohort following the introduction of the freedoms had used Pension Wise.

And a YouGov survey of 1,649 over-50s - commissioned by Old Mutual Wealth for a forthcoming report - found only 1 per cent of people aware of the pension reforms have spoken to Pension Wise as a result.

However, out of 1,152 people members of workplace schemes run by BlackRock, 61 per cent have accessed Pension Wise.

Standard Life head of pensions strategy Jamie Jenkins believes the Government may be refusing to discuss the performance of its service due to a lack of take-up.

In last week's summer Budget, Chancellor George Osborne revealed that the service would be expanded so anyone aged 50 or over can use it.

Jenkins says: "My sense is the take-up has been lower than expected. If take-up was very high, then they wouldn't have capacity to expand Pension Wise."

"But it's an important part of the framework and we, just like advisers, are partly funding it, so we do want to know if its being successful."

# £4.2m

Adviser bill for Pension Wise in 2015/16. The guidance service will cost the financial services industry £35m in total

# 3

Number of freedom of information requests *Money Marketing* has so far had rejected from the Government and FCA on Pension Wise

# £1.8bn

Amount of money savers took from their pension pots as cash between April and May, according to the ABI

## ADVISER VIEW



**Colin Low**  
Managing director  
Kingsfleet Wealth

It would be interesting to know where our funding is going because, after all, we are paying for it. It would be helpful to know how often Pension Wise is being used and a degree of the satisfaction around that, although that might take a while to come out in the wash.

## EXPERT VIEW



**TOM MCPHAIL**

### Give us details on successes and failures

**T**he Government needs to be more transparent on where Pension Wise is, and is not, working. It should by now have enough data to give us some first indications of how successful it is proving, and the Government has an obvious responsibility to publish as much information as it can around the successes and failures of the pension freedoms and in particular the Pension Wise service.

It is fair to say Pension Wise was always going to build from a low base because the Government could

### No one is going to criticise the Government because Pension Wise falls short of 100 per cent take-up but we need to know what those numbers are

not publicise it and it was a new service.

Many people in the early days were only going to be interested in taking their money.

So no one is going to criticise the Government because Pension Wise falls short of 100 per cent take-up but we need to know what those numbers are.

And it is critical the Government is recording a wide range of data across the pension freedoms because without that information it will be impossible to make good policy in the future.

*Tom McPhail is head of pensions research at Hargreaves Lansdown*



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## NETWORKS

## Financial Ltd could be wound down in radical restructure

Tavistock Investments is considering winding down adviser network Financial Ltd as it looks to restructure the business, *Money Marketing* understands.

Tavistock announced its acquisition of Standard Financial Group, the parent company of Financial Ltd, in January.

It paid £500,000 for the business initially, plus a deferred consideration of £2,000 for each adviser who remained with the group until 31 March 2016.

*Money Marketing* understands Tavistock is considering a range of options to restructure Financial Ltd and has invited some of the network's members to move across to its adviser business.

Tavistock has 300 advisers and offers an exit strategy for principals looking to retire.

One option under consideration is to wind down Financial Ltd and move all members to Tavistock.

If this option is taken, *Money Marketing* understands Tavistock would still be responsible for Financial Ltd's liabilities.

Financial Ltd was banned from recruiting new ARs and individual advisers for four and a half months in July last year after the FCA identified "systemic weaknesses" in the network's systems and controls.

The FCA required the network to carry out past business reviews into pension switching and Ucis advice.

A source close to the business says: "Financial Ltd is in need of a radical overhaul and there are a range of options available."

"Regardless of what happens there is a commitment to continue with the past business reviews and keep hold of the liabilities."

Financial Ltd managing director Brian Galvin says the network is changing its proposition, but refused to comment further.

Tavistock chief executive Brian Ra-



Raven: 'Process checked with FCA'

ven says: "Tavistock Investments is integrating Financial Ltd's staff and advisers into the group on a planned basis agreed with the FCA before the acquisition completed."

"Each phase of the process is being checked with the FCA to ensure that all required permissions and approvals are obtained."

Tessa Norman

## PLATFORMS

## Aviva looks set to move adviser platform to FNZ

Aviva is planning to replatform from Bravura to FNZ for its adviser proposition, *Money Marketing* understands.

The life company announced the launch of its D2C platform last month, which is powered by FNZ.

Aviva has also delayed an upgrade to Bravura's new system Sonata, originally planned for the second half of 2014.

Last year, Nucleus had to refund hundreds of customers after a series of trades went wrong in the months following the Sonata upgrade.

One industry consultant, who wishes to remain anonymous, says: "Having two different technology providers makes no sense as it means missing out on efficiency savings."

"The Sonata upgrade did not go very well at Nucleus and Aviva will be fully aware of that."

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A spokeswoman for Aviva says: "We have an existing contract with Citi and Bravura for the adviser platform and that continues. The consumer platform with FNZ is completely separate."

The spokeswoman refused to say whether Aviva is committed to Bravura in the long term, or when the Sonata upgrade is due to go ahead.

Bravura and FNZ declined to comment.

Tessa Norman

## TECHNOLOGY

### Iress loses out to Intelliflo when wooing smaller adviser firms

Australian technology provider Iress is failing to win business among advice firms with fewer than 30 advisers, according to investment analysts.

An analyst note published by Asia-based investment group CLSA says following a UK trip to meet Iress man-

agement, competitors and clients, it retains its buy recommendation.

However, the note says: "Our industry feedback has been that Iress has been winning very few deals in the small to mid-tier planning groups (ie those with fewer than 30 planners), with this group more often than not preferring Intelliflo."

"Iress does have an out-of-the-box solution for small IFAs, but feedback has been it still requires a high degree of configuration."

It adds: "While we commend Iress's strategy of focusing its efforts on the larger planning groups, we do see risks with this."

The note also says the "ultimate opportunity" for Iress is to create a "mortgage network".

It says this would connect its Xplan Mortgage system, which is replacing Iress' Trigold Prospector sourcing system for brokers, with its software solutions for banks and building societies, Enterprise Solutions.

The note says: "Mortgage brokers using Xplan will be more incentivised to sell loans from ES banking clients, given quick turnarounds in mortgage applications."

"Non-ES banking clients are like-

ly to lose market share and may be forced to become an ES client."

A spokeswoman for Iress says: "CLSA is referring to a technology network, not an appointed representative network."

"Our overall strategy is about providing greater connectivity, but we have no specific plans in this area."

Iress managing director Simon Badley says: "It is not our strategy to only target larger firms."

"We work with businesses of all sizes and hope to keep them over the longer term."

Tessa Norman

## ADVISERS

### High Court declares former Welbeck chief bankrupt

Former Welbeck Group managing director Greg Knight has been declared bankrupt.

The group, which includes Welbeck Consulting and Welbeck Wealth Management, was placed into administration in March 2014.

In August 2014, *Money Marketing* reported administrators ReSolve were seeking £1.2m in pipeline commission from Welbeck's network Caerus.

According to the individual insolvency register, Knight was declared bankrupt on 1 July at the High Court. The order will be lifted on 1 July 2016.

It describes Knight as a "self-employed business developer" and former managing director of Welbeck Group.

A statement of affairs from ReSolve last year listed Openwork and Metro Bank as creditors of Welbeck.

Openwork was owed £877,000, while Metro Bank was owed £1.5m. *Money Marketing* understands the Metro Bank loan was secured against a personal guarantee from Knight.

Caerus chief executive Keith Carby is a non-executive director at Metro Bank.

Metro Bank and ReSolve declined to comment. Openwork did not respond to a request for comment.

Tessa Norman ►



## The week in numbers

# 80%

Proportion of overseas pension transfer requests received by Aegon in Q1 which the provider says are scams

# 17%

Year-on-year increase in equity release loans during the first half of 2015, from £641m to £753m, according to analysis from Key Retirement

# £50bn

Annual cost of the current pensions tax relief regime to the Exchequer. The Government has published a consultation outlining potentially radical reforms to the system

# 0.35%

Average custody costs for UK platforms, according to consultancy The Lang Cat. The firm expects this figure to fall to 0.3 per cent in five years' time and 0.25 per cent in 10 years' time

# £61bn

Size of the bailout deal agreed by EU officials and Greek ministers earlier this week

# £550m

Provisions made by the UK Government after it miscalculated the pension payments for thousands of workers

# £387m

Total Government loan drawn by Nest since it was set up by the state to serve the auto-enrolment market

# 0%

UK inflation in June, down from 0.1 per cent a month earlier, according to the Office for National Statistics

## PENSIONS

### Nest 'will never pay off its debt' to DWP

Government-backed pension scheme Nest will never pay back its rapidly growing Department for Work and Pensions loan, say auto-enrolment experts.

Nest's annual report shows the loan has soared 30 per cent to £387m, up from £300m 12 months ago.

In addition, an annual DWP grant used to pay off the loan increased from £10.2m to £12.7m this year.

A Nest spokeswoman says: "The loan covers set-up and operational costs incurred in the period before charge revenues meet the full costs of the scheme."

"As the only provider required by law to be open to any employer, we have to be ready for very high volumes. That means we've had to continue developing our system capacity and processes to meet changing demands."

Chase de Vere auto-enrolment delivery manager Sean McSweeney says: "I can't see they will ever pay off the loan but the Government has wasted much larger sums of money on things that are less important."

PensionPlayPen founder Henry Tapper says: "The only way Nest is going to pay off the loan is to take on loads of transfers. It's like the national debt, they will never pay it off."

Nest's income from member contributions and annual management charges nearly trebled as the scheme took on 9,000 new employers and around one million members.

It received £5.9m in the year to April 2015, compared with £1.9m in 2013/14.

Outgoing chief executive Tim Jones was paid a total of £250,000 in 2014/15, including a £20,000 bonus. The previous year he earned £315,000, including an £81,000 "contractual terminal" bonus.

Sam Brodbeck

## TAX

### Aegon blasted over death tax failure

Aegon will not allow customers in old pension policies to benefit from the changes to the death tax on pensions without transferring, *Money Marketing* can reveal.

Advisers seeking to make use of the new flexibilities, including the ability to pass savings through the generations or take pensions as income, have been frustrated.

An Aegon spokesman says the provider is working on extending

the death benefit flexibility to older products.

He says: "Older products were not designed to enable the level of flexibility now introduced by the Government but we are looking at options to extend the new benefit to older products."

JM Glendinning Financial Services director Andy Holder says clients will have to stump up extra fees if advisers are forced to provide advice on transferring to a platform.

He says: "Providers have to be as flexible as they can to accommodate the new rules - not allowing something like this is just pedantic."

"It's a sad indictment of the industry that a number of providers are not co-operating."

Sam Brodbeck

## TECHNOLOGY

### FoI request reveals scale of financial data loss

The loss of a server containing details of five million consumer credit customers is among the data loss breaches reported to the FCA in the past year.

A Freedom of Information request submitted by *Money Marketing* reveals five instances of lost or stolen data which have been reported to the regulator in the past 12 months.

Due to FoI time constraints, the FCA only searched for incidents "in the areas of the FCA to which these losses are routinely notified".

Reported incidents include a consumer credit firm which lost in transit a server containing five million customers' details.

The regulator informed the Information Commissioner's Office of the incident.

In another case, a bank lost a USB stick with information relating to 33,000 customers.

Also, a bank's third-party payment system was hacked and a non-life insurer reported the loss of customer call recordings.

Separately, a non-life insurer lost

medical records relating to eight policyholders.

The FCA refused to confirm or deny whether any action was taken against any of the firms.

Protectmydata.co.uk director Gary Williams says: "Large financial services firms are still not taking appropriate steps to protect the personal data of their customers."

Tessa Norman

## PENSIONS

### Former Labour MP McClymont joins Aberdeen

Former Labour shadow pensions minister Gregg McClymont has joined Aberdeen Asset Management as head of retirement savings.

McClymont, who shadowed former pensions minister Steve Webb during the last Parliament, was confirmed in the role on 14 July.

He says: "I am delighted to be joining Aberdeen at such a crucial time for the UK pensions market."

"The ending of compulsory annuitisation means it is critical to ensure there are good quality retirement products available at reasonable prices."

McClymont was Labour MP for Cumbernauld, Kilsyth and Kirkintilloch East from 2010 to 2015, and was appointed to the Shadow Cabinet in 2011. He lost his seat in this year's general election.

Meanwhile, Legal & General pensions strategy director Adrian Boulding is to become director of policy at auto-enrolment provider Now: Pensions.

Boulding will be contracted to one day per week at the firm from September to balance his commitments as a consultant at Dunstan Thomas and policy strategy director at Tisa.

He says: "Now: Pensions is entering an exciting phase as it prepares for a large influx of small and micro employers."

"From a standing start it's made a significant dent in the market, going head-to-head with long established players with considerable success."

Tom Selby

## Quote of the week

**"Changing the rules when you are well into the game risks creating havoc"**

**Eversheds senior associate Tim Smith on the risks of George Osborne's proposed pension tax overhaul**





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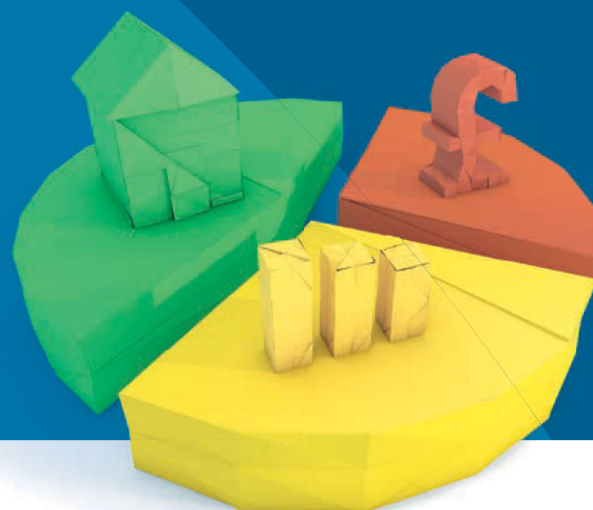
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## PLATFORMS

# Lang Cat: 15bps custody costs prediction wide of the mark

Further savings 'will come from asset management charges, not price cuts'

TESSA NORMAN

Platform custody costs will not bottom out at 15 bps in the next five to 10 years, as commonly predicted, according to The Lang Cat.

The platforms, pensions and investment consultancy says in a report on the advised platform market that since 2011 custody costs have fallen by seven to eight basis points, or 18 per cent.

The Lang Cat says it disagrees with the commonly held view that costs will eventually drop to 0.15 per cent.

It says this would require a 57 per cent reduction in costs from their current average of 0.35 per cent, based on a £200,000 portfolio.

The report says there are not large margins left for continued price cuts, and that if further savings are to be made they will come from asset management charges.

The Lang Cat predicts that costs will settle at around 0.30 per cent in five years' time and 0.25 per cent in 10 years' time.

The report also says the advised market will follow the direct to consumer market and introduce price caps.

It says: "Price capping has issues that need careful consideration.

"It's true that servicing a customer with £5m doesn't cost 50 times as much as servicing one with £100,000. But how a platform arrives



Huddart: 'Price war has plateaued'

at the conclusion about how much revenue is enough is an interesting question. And a platform will always need to have a high proportion of customers below the cap level to allow for revenues to increase."

The report shows that new business has been going to the market rate, suggesting advisers are choosing solutions based on factors other than price.

The Lang Cat market analysis manager Terry Huddart says: "There is a general view that custody costs have further to fall and will eventually level out at 0.15 per cent, but we're pretty convinced that won't happen in the next five to 10 years and question whether it will ever be sustainable.

"Investors are typically now paying 18 per cent less than pre-RDR, but that fall has happened during a period where legislation and a competitive bloodbath combined to produce a price war that has since plateaued."

## ADVISER VIEW



Tim Page  
Director  
Page Russell

Based on an analysis of the current market, I agree that costs are unlikely to fall to 15 bps. But we cannot rule out an external disruption such as the launch of a large robo advice player, which could force prices down significantly.

## Debating the week's news online

Revealed: FOS complaints mount over pension freedoms



Colin  
Caulfield

Of course IFAs have something to fear from the FOS. That is why we have to write 'complaint defence' letters rather than client engagement letters. These have to protect us from poor-quality adjudicators as much as possible.



Nick  
Bamford

Hype in the media about freedom and choice is the main cause of the identified consumer problems. That and the Government lie that it trusts consumers with their own pension pots.

Budget: Treasury plans 'radical' pensions tax overhaul



James  
Hurdman

There's a surprise – a Government that wants to tinker with pensions. After all, it's not like they've been changed recently is it?



Jane  
Hodges

Pension taxation is a ridiculously complex system. What we need is a good, non-capped, tax-efficient investment vehicle that we can save into and take out as we need; that will help retirement and other life event needs. Roll on review.

Is BoE paving the way for buy-to-let intervention?



Philip  
Milton

The time to impose controls is before it is too late, not when it is too late. A regulator should heed the signals before they become overblown and endeavour to ensure there is an 'orderly market'. That said, to stop further rot and to protect more who have not yet entered the market, there does need to be more regulation.

These three stories had over 15,000 online views. Join the debate  
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## PENSIONS

## Most overseas transfer requests are scams, says Aegon

SAM BRODBECK

Eight out of 10 requests for overseas pension transfers are scams designed to raid savers' pots, Aegon warns.

The provider's analysis of 50 requests to transfer pensions to overseas schemes in the first quarter of this year found 80 per cent were fraudulent.

Aegon says fraudsters have been targeting pots of about £30,000 after customers are lured in with the promise of pension reviews.

If a pension is transferred to an overseas scheme that does not meet HMRC's requirements, the pot can be subject to an unauthorised payment charge, normally about 55 per cent. In the worst cases, entire pension pots can be lost for good.

Last week international advisers branded HMRC's list of recognised overseas pension schemes "irrele-

vant" after it slashed the number of approved schemes.

Aegon regulatory strategy manager Kate Smith says: "Fraudsters are not only plausible but are also highly persuasive and it can be all too easy to fall for their polished performance unless consumers are on their guard.

"We're seeing more and more sophisticated ways of unscrupulous people getting their hands on people's retirement savings. And it's not just the over-55s who are being preyed on, younger customers are being targeted too."

A Phoenix Life spokesman says transfers to Qrops account for about 50 per cent of cases under investigation at the provider.

He adds: "Further to this, the majority of the remainder of cases we are investigating often include high-risk overseas investments as an element."

At Standard Life, however, head

of pensions strategy Jamie Jenkins says the provider does not have a big issue with overseas transfers.

"We certainly share the concern for the dangers of pension scams and it has become a major focus within our transfer checks," he says.

"That said, we have seen far less of an issue with Qrops and we believe only a minority of those we are asked about are potential scams. The vast majority of our Qrops transfers are to long established and well known overseas schemes."

AES International head of pensions James McLeod says: "There are already several warnings out there about the need for those thinking of transferring their pension overseas to a Qrops, but Aegon's information is a real wake-up call.

"The sad thing is that some for whom a Qrops might be ideal are put off from improving their financial future for fear of being cheated."

# Networks hit back over quality control

Firms challenge FCA verdict that their processes put clients at risk of receiving unsuitable advice

## MARK SANDS

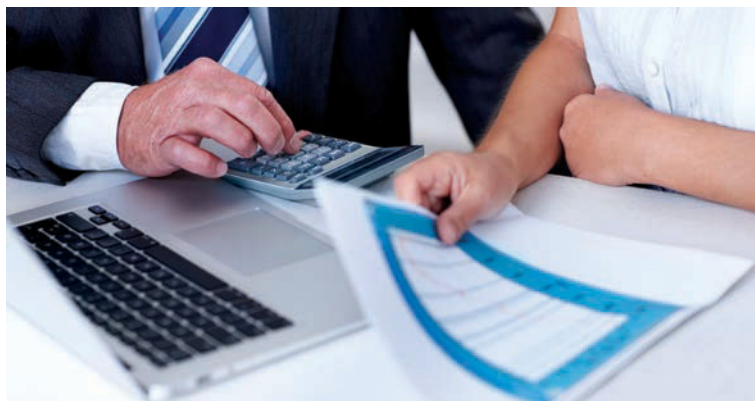
Mortgage networks have hit back after the FCA raised concerns about a lack of quality control over advice.

The regulator's post-MMR thematic review into advice and distribution, published last week, found suitable advice was judged to have been given in 59 per cent of cases from lenders and brokers, with just 3 per cent in which advice was classed as unsuitable. In the remaining 38 per cent the quality of advice was judged to be "unclear".

The regulator has singled out networks for criticism. It says while lenders' often structured advice processes leave "little or no flexibility" to apply judgment, networks' lack of structure increases the risk of providing unsuitable advice.

The FCA says: "Appointed representatives of many large retail intermediary networks are delivering advice with little or no structure.

"This, coupled with limited oversight and controls in many of these networks, resulted in variable and inconsistent quality of advice and a higher propensity for unclear or unsuitable recommendations.



"Needs and circumstances were often assumed or missed. The quality of advice and recommendations depended on the skill, knowledge and approach of individual advisers, with mixed results arising from advisers adopting different approaches."

Association of Mortgage Intermediaries chief executive Rob Sinclair argues the concerns are overstated. He says: "There are only 3 per cent of all cases where the FCA has found that advice is unsuitable, and we don't know what sector they were in.

That's still more than anyone would like, but it's not indicative of a problem across the whole network market. What they are trying to say is that we need some form of structure, but they're only looking at so many firms. It's statistically relevant but it's not necessarily representative of the whole industry.

"But we know there's work to be done and we will be working with all firms to try and make sure that they can get ahead of this."

TenetLime managing director Gemma Harle says: "What we have to

bear in mind is the conversations brokers have with a client when arranging mortgages are not limited to the initial one. The process is much bigger than the initial meeting the FCA has based this on."

The regulator also warns many networks have not "adequately considered the potential risks of poor outcomes posed by their advice models".

However, Intermediary Mortgage Lenders Association managing director Peter Williams argues many networks have already recognised the symptoms of the FCA's concerns.

He says: "What we are seeing already across the distribution space is some shifting to better reflect the obligations to scrutinise and have some control."

Personal Touch marketing director David Carrington says his own firm redesigned fact-find processes for appointed representatives to steer them away from a sales-oriented approach. "We find this report a useful steer in some ways but it's also an affirmation of what we have been doing for the last couple of years. We try to treat ourselves as risk managers rather than salespeople."

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Jan'14



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## PENSIONS

# eValue offers simplified advice service

Software firm says 'we are not here to take over the advice world, just help the online advice process'

## SAM BRODBECK

Financial software firm eValue has built a simplified advice programme providing customers with a recommendation on how to use their pension pot.

The firm already provides the technology behind the majority of providers' retirement income modellers launched on the back of increased demand following the introduction of the freedoms.

It has recently become regulated by the FCA to provide online advice and is eyeing a tie-up with life companies, corporations, banks, employee benefit consultants and large advice firms.

eValue senior consultant Andrew Storey says the service will help advisers and organisations deal with clients whose pots are too small to make providing full advice cost-efficient.

He says: "We are trying to support advisers with what they do, we are not here to take over the world of advice. We'll be supporting the online advice process, which could be offered by an adviser who does not want to deal with that particular



client because they are too small and not viable for them."

Users with simple needs can go through the programme online without interacting with an adviser unless they want to. Certain triggers - such as if the customer plans to retire abroad - will mean they have to seek a fuller service.

However, users can build up credits, giving them money off the cost of full advice by submitting more information online.

The firm has not yet set the cost of the service, but Storey expects

demand will be between £150 to £250 and notes employers could use the £150 tax deductible expense limit.

Finance & Technology Research Centre director Ian McKenna says: "This is going to be one of the most crucial areas in the ongoing development of adviser businesses.

"The differentiators will be how sophisticated systems are at identifying those who are not suitable for fully automated advice and how they are managed out of the process, and even back in to the process further down the line.

"We are more constrained in the UK compared with the US because of regulation limiting innovation. There are some very low-cost solutions in the US which would need more work to adapt to meet the UK assessing suitability standards."

In recent weeks, LV= has launched its Clear Online Retirement Advice service where customers are charged £199 for a recommendation and £499 to execute. Just Retirement has also partnered with Phoenix Life to deliver a telephone-based simplified advice offering.

Hargreaves Lansdown has unveiled what it labels an advice service although it does not give specific, personal recommendations. Customers are offered an hour-long consultation with one of its advisers for £395.

But Storey claims the firm's service is superior because of its independence from the retirement products it recommends and its experience in financial forecasting.

eValue already offers a direct-to-consumer planner called Moneybee but is yet to decide whether the branding will also cover the advice service.

We felt that the level of risk did not reflect the yield available at the time. The team focused on other asset classes

Jan'15

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## PENSIONS

# Government rethinks pension transfer stance with tax break

Defined benefit schemes move comes as regulator orders skilled persons review for Origen

## SAM BRODBECK

A new tax break for employers funding advice for staff on defined benefit pension transfers shows the Government is growing more comfortable with the controversial exercises.

But at the same time, it has emerged Aegon-owned advice firm Origen is to be the subject of a skilled persons review following the regulator's thematic report into enhanced transfer value activity.

In these exercises members are offered a transfer value in exchange for giving up their guaranteed benefits.

Corporate advisory firm LEBC longevity divisional director Nick Flynn says: "There is no doubt there is a little bit of divergence between the FCA and the Government's view on these exercises. But some of the regulator's recent guidance has been more positive." He adds the new tax break

"tidies up some loose ends on the taxation side" and "helps remove another small barrier" to transfers.

**Tax break**

An HMRC document published with last week's Budget reveals employer-led DB transfer exercises will qualify for an income tax exemption where advice is given to current employees.

It says: "Where the employer provides or pays for advice to an employee in order to meet their obligation, then that provision or payment is covered by the new income tax exemption."

Prior to the change - which applies to transfer exercises on or after 6 April - employers' advice costs would be taxable.

The exemption only applies where the employer bears the cost of providing advice and does not pass it on to employees through arrange-

## ADVISER VIEWS



**Steven Robinson**  
Co managing director  
Clarke Robinson

It seems to be a question of the Government doing one thing and the regulator and PI insurers wanting something different. The Government wants to move the freedoms forward, but then you've got the FCA being made responsible for the consequences - I actually feel sorry for them. If it all goes wrong the Government won't get the blame, the regulator will.



**David Trenner**  
Technical director  
Intelligent Pensions

There are lots of reasons why a transfer might be a good idea for a DB member. Employees have to recognise ETV exercises are for employers' benefits, it's to cap their liabilities, and they should pay for the advice. And of course the advice should be tax-free. One of the problems is the Government is saying transfers shouldn't be blocked even if advisers say it's not a good idea.

ments such as salary sacrifice.

HMRC says: "The provision of advice by employers would represent either a benefit in kind or payment of taxable earnings. The policy objective is to prevent employees from being subject to an additional tax charge of National Insurance contributions liability as a result of receiving Government mandated advice, and also to protect employers from the NICs liability that would arise."

Members are required to take advice before transferring out of schemes with safeguarded benefits, including defined benefit schemes and defined contribution plans with embedded guarantees.

Advice on DB transfers must be given by pension transfer specialists.

Standard Life head of pensions strategy Jamie Jenkins says: "Given a few years ago the regulator was reminding us all you should start from the point of view that it was not in people's interests to transfer to the point we're now offering some tax incentives to employers who run these exercises, it feels like we've got to a more comfortable place."

**Pension transfer regulation**

In 2012, a cross-industry group published a code of conduct on bulk pension transfers, effectively outlawing cash incentives. In 2014, the FCA revealed the findings of a thematic review of ETV exercises between 2008 and 2012. The regulator found a "large variance" in the quality of advice given, with some advisers ignoring requirements and guidance.

Last week, national advice firm Origen's annual report revealed it has set aside £200,000 to cover the costs of an FCA skilled persons review into pension transfers.

Earlier this month, *Money Marketing* revealed Origen had been forced to stop writing enhanced transfer value business by its parent due to concerns over the associated risks.

Origen's annual report for the year ended 31 December 2014 says: "During the year, Origen participated in an industrywide S165 exercise covering large enhanced transfer value exercises. In January 2015, the FCA informed the company of its intentions to appoint a skilled person to review the fund recommendations made to a number of defined benefit scheme transferees.

"The scope of the work has yet to be finalised. A provision of just over £200k is included in the accounts to cover the cost of the exercise."



Jenkins: "It feels like we've got to a more comfortable place"

## EXPERT VIEW



**NICK FLYNN**

## Positive move breaks down another barrier

For bulk transfer exercises, including active employees, employers would have to pay tax on the advice. It was inconvenient for the employer and for the taxman to have to make the calculations. It is a positive move because a potential issue has gone away.

If you are doing thousands of lives it soon adds up and no one wants to pay any more tax than they have to. It is a case of tidying some loose ends on the taxation side and it helps remove another small barrier.

There is no doubt there is a little bit of divergence between the FCA and the Government's view on

these exercises. But some of the regulator's recent guidance has been more positive, the new rules on pension transfers, for example, were telling you how to do it rather than not to do it at all.

The 2012 code on incentive exercises was really good as it spelt out how things should be done. Activity dropped when it was published but the tide is starting to turn very gently. For some people transferring is a very good idea provided the transfer value makes sense and provided the individual has the right financial circumstances, health, marital status it can be very attractive. Nick Flynn is longevity divisional director at LEBC

# Retirement insight

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ANDREW TULLY



## Shopping therapy

If pension freedoms are genuinely designed to help people make the best use of their savings, then shopping around is the only way to get the best outcome

Over the last few weeks, we have seen an increasing focus on how providers are coping with the pension freedom changes, specifically questioning whether people can get access to their pension without paying excessive charges. But while Government ministers and the FCA work to ensure people have the ability to cash in their pension pots as and when they want, a more significant issue appears to be passing beneath the radar: are customers getting good outcomes?

Now, I am not suggesting cashing in your pension pot is necessarily a bad idea. For some people, in some situations, it is the right thing to do. And so it is entirely reasonable these people should be able to get access to their money quickly and relatively cheaply.

However, despite the attention-grabbing headlines, many people still want to turn at least some of their savings into a retirement income by using drawdown or an annuity. It is crucial we make sure



these people also get the right solution but, worryingly, pension freedom has made little difference to the quality of their outcomes. In fact, it could be argued many are now worse off.

In the first quarter of 2014 (the last quarter before George Osborne announced the pension freedom changes) 47 per cent of retirees bought an annuity from the provider they had saved with. In other words, they did not shop around. That was a scandalously high figure, which the Government and regulators should have been doing far more to change.

If we fast-forward to the first quarter of this year, the proportion of people buying an internal annuity has soared to 61 per cent. A significantly larger share of annuitants are now locking themselves into poorer deals without shopping around. We know people who do not shop around lose thousands of pounds over the course of their retirement. They are very unlikely to have received the highest possible income available in the market and few "internal" annuities take health and lifestyle into account, which further increases the loss people face.

It is more difficult to illustrate the difference in customer outcomes with drawdown as there are so many influencing parts (charges, service, fund choice, etc.) but, again, we know significantly more than 40 per cent of customers stay with their holding provider. There may be good reasons for doing this but it is still important people shop around so they understand how the drawdown product they are tempted to choose compares with other options in the market. This is not straightforward and is where professional advice can add great value.

From a political and regulatory perspective it is crucial we consider the wider customer outcomes, not just narrowly focus on those choosing to cash in their pension. The FCA recently issued a market update as a result of the pension freedoms. Not surprisingly it found a significant increase in activity since April. While the majority of consumers have been able to take advantage of the new flexibilities, and most firms have coped well with this additional demand, there have been some operational challenges at a minority of firms.

As a result the FCA has sent all pension and retirement income providers a request seeking information on a number of issues, including the options they offer customers, their advice requirements and treatment of insistent customers, plus information on transfer procedures and any exit penalties imposed.

Given the recent changes, obtaining all this data makes perfect sense. But there is little there which suggests improving the numbers of people shopping around for the best solution is high on the agenda. To me, it should be front and centre.

Yes, it is far from an easy task: if we struggled to get people to shop around when most bought an annuity, getting them to do so when there are much wider and more varied options is downright difficult. However, if pension freedom is genuinely about helping more people make the best use of their savings, then only shopping around (and getting advice or, at least, help from Pension Wise) will help them get the best outcome, whichever option they choose.

Andrew Tully is pensions technical director at Retirement Advantage

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Platform

HUGH YOUNG



## China's road to redemption

The country must move towards a more balanced economy supported by domestic consumption to lay the foundations for the next stage of growth

We have always liked the China story: the rise of the middle class, urbanisation, high savings rates and pent-up demand. China's President Xi Jinping, the nation's most powerful leader since Deng Xiaoping, wants to be remembered as the statesman who turned the "Chinese Dream" into reality. At the heart of this aspiration is a blueprint for far-reaching reforms that promise a fresh start for the country.

But after decades of turbo-charged growth, China is now counting the cost: environmental degradation, social injustice and a broken economic model. China appreciates it needs to shift away from capital expenditure and an excessive reliance on exports towards a more balanced economy supported by domestic consumption. The authorities have the flexibility to manage this transition successfully.

From an investor perspective, reform cannot begin too soon. Despite decades of impressive

headline growth, China's stocks have languished for reasons that include poor governance, dominance of state-owned enterprises, low or minimal shareholder accountability and the lack of value creation. The lack of corporate governance has been the single most important obstacle for us. We still advise our clients, as a first step, to access China's growth via companies that are listed offshore (usually in Hong Kong) where rules designed to protect investors are more rigorously enforced.

Since hitting a seven-year high in June, Chinese stocks have declined sharply, triggered by a clampdown on margin finance: the use of borrowed money to buy shares. While stockmarket performance has been below expectations, as bottom-up stockpickers, we remain cautiously optimistic because significant parts of China's economy are not in state hands or subject to excessive control. These companies play an increasingly important role in job creation and need capital to grow. If the banks are constrained

as sources of funding because of tighter liquidity, the stockmarkets can help.

### Consumption

The consumer story is attractive as boosting domestic spending forms a central component of China's reform agenda. This translates into demand for property, travel, mobile phones, domestic appliances and supermarket groceries.

We are great believers in this story in part because we like businesses that are simple and easy to understand. We favour travel-related businesses that are set to benefit as more Chinese achieve aspirational lifestyles. Other areas to benefit from greater affluence include insurance and healthcare.

We are less enamoured of property because of the cyclical downturn and debt build-up. Despite the hype around e-commerce, the best opportunities are listed overseas and shareholders rights are opaque.

The authorities are committed to policies encouraging urbanisation. People in the countryside and migrant workers living in cities will

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be given legal rights that free up more disposable income, which will eventually swell the ranks of the middle class. With one of the highest savings rates in the world, spending should be underpinned for years to come.

**Less "government"**

The issue of state ownership is a complex one. For its admirers, China has perfected its own brand of state-run capitalism. The biggest firms are unimpeded by real competition. They have been able to undercut rivals abroad thanks to cheap funding.

The better-run firms are commercial and may be attractive to outside shareholders. The worst are value destroying: coal miners, steelmakers and industrial manufacturers. They benefited from policies that led to over-investment. The government recognises the need to slim down bloated state-controlled firms to achieve greater efficiency.

That discipline, however, has to come from the markets. The banking sector is arguably the most important test bed for liberalisation.

Policymakers have proposed changes that include allowing market forces to determine bank deposit rates and to set the value of the yuan. The quality of companies raising money on the stock exchange should improve as firms will need to compete more effectively for savings that could sit in bank accounts offering a competitive interest rate.

**Hidden value**

We have been investing in Asia long enough to realise that even a disappointing market can hide individual companies that excel at what they do and reward their shareholders appropriately.

There are companies that have successfully navigated repeated cycles of boom and bust, arbitrary access to credit and unpredictable officialdom. They are here for the long term and are well placed to benefit from comprehensive structural reforms that will lay the foundations for the next stage of China's growth.

*Hugh Young is managing director of Aberdeen Asset Management Asia*

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here.



Net Yield **4.1%**  
Gross Yield **5.0%**  
as at 31.05.15

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WORLDWIDE INVESTMENT

## ANALYSIS

# New dividend tax rules 'could hit large UK firms'

Rates for those in higher tax brackets may be discouraged from investing

VALENTINA ROMEO

A major overhaul of the way dividend payments are taxed risks discouraging investors from ploughing funds into large UK companies, experts warn.

Chancellor George Osborne unveiled the surprise overhaul in the first Conservative Budget for almost two decades last week.

Under the new rules, which come into force in April 2016, the dividend tax credit - which reduces the amount of tax paid on income from shares - will be replaced by a £5,000 tax-free dividend allowance for all taxpayers.

Basic rate taxpayers will pay 7.5 per cent tax on any additional dividend income, instead of the current 10 per cent. However, higher rate taxpayers will pay 32.5 per cent and additional rate taxpayers 38.1 per cent.

Dividends paid within Isas and pensions are not affected by the changes.

In his Budget speech, Osborne claimed 85 per cent of those receiving dividends would be unaffected or better off under the new system.

However, with the Exchequer expected to rake in an extra £6.8bn as a result of the reforms by 2021, who is going to feel the dividend tax pain?

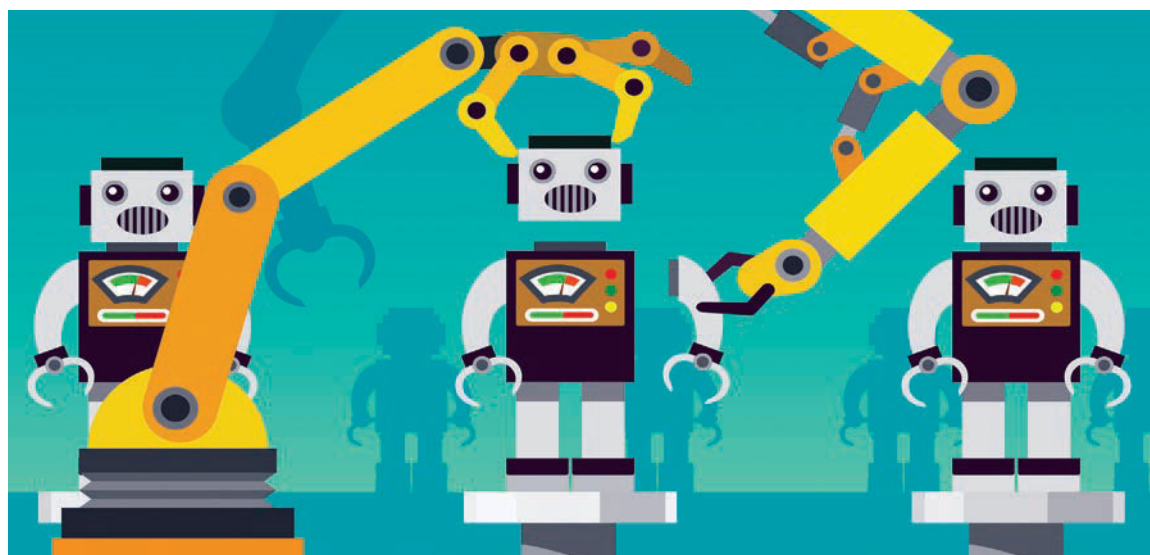
## Equity income

Hargreaves Lansdown head of investment research Mark Dampier argues the reforms run counter to the Government's aim of encouraging people to save.

He says: "This is a strange way to encourage savings. Dividends should be a big part of someone's portfolio because that's where you get the potential for income growth."

"It is another tax that penalises you if you are taking risk, which is an odd thing to do because more people need to invest in British companies to get dividends over the long term. If anything, you are pushing more money into other things, like cash."

According to Wingate Financial



Planning director Alistair Cunningham: "Those who have built six-figure income portfolios through shares and income funds will likely see a reduction in their returns."

However, experts have played down the implications the reforms could have for equity income funds, which focus on investing in large firms paying out dividends.

Investment Association director of tax Jorge Morley-Smith says: "If you have a lot of money and lots

**This is a strange way to encourage savings. It is another tax that penalises you if you are taking risk. You are pushing more into other things, like cash**

## HOW DIVIDEND TAX REFORMS WILL HIT INVESTMENT PORTFOLIOS

2015/2016 tax year	Net dividend	Tax credit	Additional tax	Dividends after all tax
Non-taxpayer	£1,000.00	£111	£ -	£1,000
Basic rate taxpayer	£1,000.00	£111	£ -	£1,000
Higher rate taxpayer	£1,000.00	£111	£250	£750
Additional rate taxpayer	£1,000.00	£111	£306	£694
<b>2016/2017 tax year</b>				
Annual tax-free Dividend Allowance	£5,000			
	Gross dividend	Tax credit	Tax due	Dividends after all tax
Non-taxpayer	£1,000.00	£ -	£ -	£ -
Basic rate taxpayer	£1,000.00	£ -	£75	£925
Higher rate taxpayer	£1,000.00	£ -	£325	£675
Additional rate taxpayer	£1,000.00	£ -	£381	£619

SOURCE: HARGREAVES LANSDOWN

of assets, I don't think equity funds become any more or less attractive than holding equities themselves.

"I don't see that necessarily having a huge impact but clearly the behavioural aspects of tax changes are difficult to predict."

Yellowtail Financial Planning managing director Dennis Hall adds: "It is not going to impact investors that have got equity funds in pensions or Isas."

"There are only a small number of investors that have significant enough assets to make the new taxation a problem. In reality not many investors are going to find themselves bumping up against that £5,000 limit."

Wealth Management Association chief executive Liz Field says the new measures should promote retail investment in stocks and shares and encourage "a wider spectrum of individuals" to become involved in the investments.

However, she cautions that those with larger portfolios, worth over £134,000 with an average dividend yield of 3.7 per cent will be hit. "We should not discourage these individuals from investing in the stock market through higher dividend tax rates."



## COMMENT



BRIAN TORA

## Reasons to be fearful

It has been hard recently to write about how markets might fare in the future without the Greek situation creeping into the text. By now, we know what the outcome of the latest round of negotiations amounted to although none of the news so far encourages me to believe the Greeks are in for anything other than a very tough time indeed.

As I put pen to paper, looking out of my study window across a glistening sea in a country that has also had to contend with European Union and International Monetary Fund-imposed austerity, I feel I should be more optimistic. But realism suggests a different result.

Finding topics other than Greece has not exactly been a problem. The Budget, of course, has been done to death but it was the first proper Conservative one in more than 18 years, so was worthy of close examination. Such occasions are seldom the market-moving events Chancellors might like them to be and so proved the case this time around. However, there was an interesting modest bias against investors that did come as something of a surprise. Something else to worry about.

Talking about reasons to worry, as well as Greece, China has been taking centre stage recently and between the two of them sentiment has been so knocked that volatility has returned to markets in spades. There is a saying, purported to be an old Chinese curse, which goes: "May you live in interesting times." Investors certainly have more inter-esting events taking place at present than



China: Can it stave off disaster?

they are likely to wish for.

The problem in China seems to be the authorities allowed shares to run away in a surge fuelled by domestic investors on borrowed money, only to see a swift reversal of fortune that brought the Shanghai index down by 30 per cent in less than a month. Why they allowed this state of affairs to develop is hard to assess, unless they were hoping to sell off state assets at premium prices. They have stepped in to try to stabilise the situation, cancelling flotations due and restricting selling but confidence has suffered, unsurprisingly.

As it happens, share and foreign exchange markets did not post the extreme initial reaction to these two unsettling events that many feared. True, indices in Europe have fallen but the euro has held up remarkably well (so far, that is) and overall there was less selling pressure than might have been expected. Given the knock-on effect any slowdown in the Chinese economy might engender, this seemed a remarkably sanguine approach.

The real concern is the extent to which the mainland Chinese market bubble may have sucked in investors who will now be feeling real financial pain. The banking system there is not as robust as it should be and, while those that piled in earlier in this bull market may still be sitting on profits, more recent conversions to the cult of the equity could be faced with margin calls they are simply unable to meet.

China is, of course, a command economy and policymakers there will be only too well aware of the risks that now exist. Perhaps it will stave off disaster but commodity prices are suggesting a further slowing in growth for the world's second-largest economy. On the plus side, this may delay the expected US rate rise but it strikes me we have a few too many uncertainties right now. Put another way, we do, indeed, live in interesting times.

*Brian Tora is an associate with investment managers JM Finn & Co*

## Simplification?

Osborne claims the reforms will simplify the UK's "complex and archaic" dividend tax system.

Morley-Smith agrees. "The equity tax system was really complex and difficult to understand and explain," he argues.

However, Fairstone Financial Management chartered financial planner Angela Murfitt argues the changes could create more complexity as people are forced to rethink remuneration packages.

She says: "These changes will come as a direct hit for entrepreneurs such as SME company directors who choose a low salary and high dividend approach to their remuneration. Ordinarily, they would benefit from lower overall taxation but when the new rules take effect,

this will no longer be a given."

Murfitt says some business owners could decide to sell up before the changes come into effect.

She adds: "For a large individual holder of dividend paying equities/funds, it will be more important than ever to fully utilise the £11,000 annual capital gains tax exemption for each investor. What we might see is an increase in the sale of shares in unit funds to generate income through capital gains because these enjoy a much larger annual exemption than the new dividend rules."

Murfitt also believes the new taxation might result in a slight decline in the popularity of high-dividend-paying blue-chip stocks in favour of those that pay a lower dividend and have higher growth potential.

## We might see an increase in the sale of shares in unit funds to generate income through capital gains as these enjoy a much larger exemption

## Pensions boost?

So where will investors look to shelter their money in the wake of the changes?

Axa Wealth head of investing Adrian Lowcock argues Isas and pensions will likely benefit as investors look to dodge future tax bills.

He says: "You may not be taking dividends at the moment and you may not have equity income in your portfolio but when it comes to retiring you will end up switching a lot of your investments into income-generating assets and suddenly you get hit by that 38.1 per cent tax."

"So that is the reason why investors need to use pensions and Isas now to protect against future potential tax liabilities that could arise."

# Asset allocation

## ANALYSIS

# Bond volatility spurs Monier to raise Lombard cash exposure

Vantage 1500 fund manager moves to cut risk as future of bonds is called into question

VALENTINA ROMEO

As the bond market experiences one of its biggest corrections and experts question the future of the asset class, fund managers are moving to protect their portfolios from further risk.

Lombard Odier chief investment officer for Europe Stéphane Monier has stepped back from sovereign bonds in his asset allocation strategy, adding a stronger cash exposure to decrease risk.

Since April, the £138m Lombard Odier Selection Vantage 1500, which was launched in January 2014 in tandem with Vantage 3000, has been experiencing the biggest drawdown of its history.

As the fund's exposure was around 32 per cent to sovereign bonds, and due to the strong sell-off in German bonds and US treasuries, "the fund gave back part of the excess return that was earned during the early months of the year," explains Monier.

Currently, the allocation to sovereign bonds is 16 per cent in Vantage 1500.

Monier has also slightly reduced exposure to other asset classes, namely developed equities, emerging equities and credit, and allocation to cash is now 35 per cent of the portfolio, up from zero since December 2014.

He explains: "To reduce the risk, we reduce our allocation to the markets - or level of investment - and keep the proceeds of the asset sales in cash."

To protect investors on the downside, the fund, which is also managed by senior portfolio managers Rogier van Heyningen and Cyril Cailault, is managed using a drawdown control mechanism, which aims to reduce the expected shortfall of the



Monier: 'Agnostic process'

portfolio during periods of poor investment performance.

Monier says: "The risk-based approach to investing means instead of starting with an investor's target annual returns, the team asks about the maximum capacity for loss. We promise clients the fund won't exceed a loss of 5 per cent, so when the value of the fund decreases we reduce the risk of the portfolio."

He says this is a dynamic approach managed on a daily basis.

"The target risk can be reduced by up to 30 per cent of the total 'risk budget' but no more in order to keep some risk in the portfolio when markets recover."

Monier says this strategy is "an agnostic process" so "we reduce the exposure if we find a risk - it is not a market forecast strategy."

"In March, the fund was 4.5 per cent volatility and after the drawdown we reduced that to 2.5 per cent, so we nearly halved the risk of the portfolio."

Since inception, this conservative risk-based fund has returned 3.22 per cent, representing an annualised 2.24 per cent, slightly below

## LOMBARD ODIER SELECTION VANTAGE 1500



### ASSET ALLOCATION

● Sovereign Bonds	16%
● Credit	7%
● Developed equity	4%
● Emerging equity	3%
● Commodity	4%
● Alpha	31%
● Cash	35%

### TOP 10 HOLDINGS

LOS - The Credit Bond Fund	5.1%
LOF - Alternative Risk Premia	4.0%
Henderson Gartmore Absolute Return Fund	3.8%
LOF - Euro BBB-BB Fundamental, (EUR) S A	3.5%
LOF - Fundamental Equity Long/Short Fund	3.4%
GAM Star Global Rates	3.3%
Lazard Global Hexagon Equity Fund	3.1%
Lyxor Newcits Winton Fund	2.9%
LOF - Euro Responsible Corporate Fundamental Fund	2.8%
iShares Global Government Bond UCITS ETF	2.3%

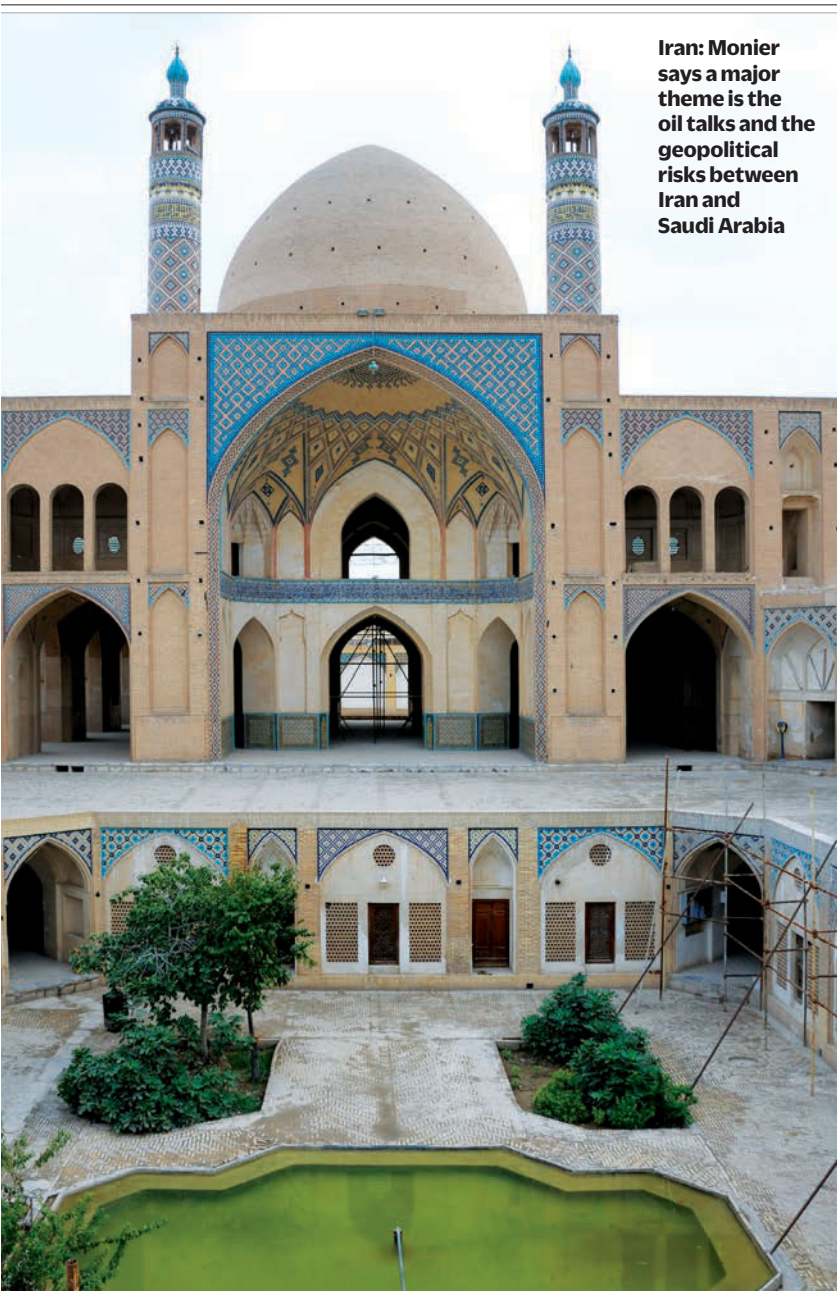
SOURCE: LOMBARD ODIER

its target performance of cash plus 2.5 per cent. Since the beginning of the year, however, the performance of the fund is 1.03 per cent.

The main contributors to the positive performance in 2015 are Lombard Odier's absolute return and high conviction strategies, which are part of the fund's alpha pocket, says Monier.

He says: "When we look at performance attribution, the alpha pocket is very much a stabiliser of the fund. We have been successful in identifying managers able to outperform in an up and down market for both returns strategies we use and also for the high conviction strategy which is quite a differentiation feature."

**The risk-based approach to investing means instead of starting with an investor's target annual returns, the team asks about the maximum capacity for loss**



**Iran: Monier says a major theme is the oil talks and the geopolitical risks between Iran and Saudi Arabia**

Since the Vantage 1500's inception, 30 per cent of the risk allocated to the alpha pocket has generated more than 50 per cent of the return of the fund. He says: "The traditional multi-asset portfolio has less than 10 per cent of risk allocation. [These portfolios] rely solely on the ability of asset allocation, so they don't try to find uncorrelated sources of return like we do."

Although not basing the asset allocation on market forecasts, Monier identifies four major themes to follow in the current market outlook.

He says the situation in Greece should be well monitored as well as the strong stockmarket correction currently hitting China.

He adds: "The third thing to look at is the current talks in Iran as this will have a major impact on the price of oil as well as the geopolitical risks between Iran and Saudi Arabia and their competition for the supremacy in the region."

"However we are not making any bets on the situation as ours is a systematic approach that is reacting to our perception of risks in the market."

Monier also believes the Federal Reserve will raise interest rates in September 2015 but does not see rates going up in Europe as the European Central Bank plans to continue the quantitative easing programme until September 2016.

## MY THREE BIG CALLS



**STEVEN RICHARDS**

## Conservative approach

### Infrastructure

Investors are growing more concerned about rising yields following the unwinding in the bond market but many infrastructure funds have been conservative with their payouts and therefore still look attractive to us.

While many of the trusts available to investors are trading on premiums now, some still look appealing, especially as they offer investors inflation protection. It is true inflation is yet to become a problem but these investments will prove very popular if we do get a spike in CPI.

There could be an issue for infrastructure investments if a big seller emerges (for example, a very large multi-asset manager trying to exit a position) but demand is currently outstripping supply and that popularity is putting real momentum behind net asset values in the space.

As an additional benefit you are also picking up a yield of, on average, 4.3 per cent from the sector: well ahead of bonds and equities.

### Cash

Cash has become more attractive as an alternative over the last year as yields on government bonds continued to plunge.

In a world where everything looked expensive, we allocated tactically to the asset class over the last 10 months. There have been periods where equities and bonds

both accelerated higher but that is now unwinding.

Despite the recent setback for equity markets, the risks there are still quite high. We think you could see a further pullback from this level before things settle.

Clearly, cash yields nothing at the moment but it does provide protection. With so many other assets looking overvalued it remains a useful diversifier too. When you consider the situation in Greece and the prospect of a rate rise in the US (which could hit all risk assets), the case for cash becomes all the more compelling.

### Japan

Japanese equities continue to look the cheapest on a global basis (particularly versus peers in the UK and US) and we maintain our faith that prime minister Abe's Abenomics, as well as other stimulus measures in that market, will drive them higher.

Just as US equities had a great run following the introduction of quantitative easing, Japan's programme is now in full swing and should keep providing a boost to both sentiment and valuations.

The region also continues to benefit from the weaker yen and we do not think the full impact of this is recognised by analysts yet, especially in areas like exporters.

We therefore think the momentum behind Japanese equities can continue for some time. And while some investors will be fearful it could enter bubble territory, we are currently nowhere near that situation. The upward trend has much further to run, especially given its discount to other markets.

*Steven Richards is investment manager at Thesis Asset Management*

**Japan's programme is now in full swing and should keep providing a boost to both sentiment and valuations**



## ANALYSIS

# Industry set for a commission backlash as Australia sets cap

UK faces calls for review after Australians limit upfront rates to 60% of first-year premium

TESSA NORMAN

The protection industry is facing calls to review commission structures after radical cuts to upfront rates in Australia.

In June, proposals were published in Australia to cap upfront commission on protection products at 60 per cent of the first year's premium from July 2018, down from as high as 120 per cent.

Maximum ongoing commission will be set at 20 per cent of the premium from January 2016, while three-year clawback periods will apply.

The proposals follow a review of life insurance advice published in October, which found a correlation between upfront commission models and high policy lapse rates.

Now there are concerns that consumer groups may push for similar changes in the UK, where upfront commission is typically 150-200 per cent of the first year's premium.

Ongoing commission is significantly below the Australian limit, however, at 2-3 per cent. Some advisers also choose to work on a non-indemnified basis where commission is paid over the course of the product, while clawback periods are either two or four years.

Protection Review chief executive Kevin Carr says a cap on upfront commission would be a "game

changer" for the UK market.

He says: "With protection, all of the work is done at the outset, so there is a sound argument for commission to be paid upfront.

"But commission is a tainted word and to the average man on the street it implies some kind of misselling."

In 2010 the FSA concluded that protection should be exempt from adviser charging under the RDR, as the regulator could find no evidence that commission caused detriment to consumers.

Many also argue that if commission on protection were to be cut or scrapped, product sales would fall dramatically, leaving fewer consumers protected.

Fairer Finance managing director James Daley says: "I have sympathy with the view that without commission even fewer people would have protection, but I am instinctively wary of anything being sold with commission in financial services.

"On so many occasions advisers have acted in their own best interests and sold what makes them the most commission rather than acting in the best interests of the consumer. The early signs are that the RDR has been successful in eliminating product bias, and I find it hard to believe that there are not advisers out there selling protection products to maximise commission."

**On so many occasions advisers have acted in their own best interests and sold what makes them the most commission rather than acting in the best interests of the consumer**

Daley says the commission paid to comparison websites for protection is also a concern.

"They are taking adviser-style commission but in most cases are not giving advice. That is quite alarming."

A spokeswoman for the FCA Consumer Panel says: "Inducements such as commission frequently present a significant risk of conflicts of interest by incentivising an intermediary to pursue the sale of inappropriate products for their own benefit but to the detriment of the customer."

Plan Money director Peter Chadborn argues protection remuneration is not proportionate to the amount of work involved.

He says: "The commission is based on the premium, so I could arrange a £200-a-month term assurance for someone in good health which involves little work but pays a significant amount of commission.

"My next client might only need £30 a month worth of cover and be in poor health, so the commission does not cover the amount of work involved.

"Where the remuneration is disproportionate to the work, there is the potential for it to lead to poor practice."

Others argue that having such high upfront commission may not be in the best interests of consumers.

Zurich head of regulatory developments Matt Connell says: "There is an argument to say the higher the upfront commission, the more you encourage advisers to move customers from one provider to another. But on the other hand, if you don't pay enough upfront commission, fewer customers will be protected."

But experts say paying fees or commission relative to the amount of work involved could breach treating customers fairly principles.

Carr says: "That would mean those with a medical history would pay more - at what point does that become unfair?"

LV= head of protection sales Mike Farrell says: "It doesn't follow that

## UPFRONT COMMISSION LEVELS

### 20-YEAR TERM ASSURANCE FOR A 40-YEAR OLD MALE NON-SMOKER WITH £300,000 SUM ASSURED

Provider	Monthly premium	Upfront commission
Aviva	£23.61	£434.93
AIG	£23.88	£528.92
Aegon	£23.89	£448.97
Scottish Provident	£25.18	£479.98
Bright Grey	£25.26	£481.50
LV=	£25.60	£498.29
Legal & General	£25.81	£485.07
Zurich	£25.90	£550.51
VitalityLife	£26.28	£502.73
Old Mutual Wealth	£26.69	£501.59
Friends Life	£28.50	£535.61

SOURCE: ANONYMOUS DIRECTLY AUTHORISED ADVICE FIRM



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upfront commission leads to a poor consumer outcome. Reasonable levels of commission allow successful businesses to prosper and serve consumers well."

Master Adviser partner Roy McLoughlin says: "I do not see the issue with upfront commission, as long as the business stays on the books. The protection market does not have the same consumer detriment issues that existed in pensions and investments pre-RDR. For instance, it is very difficult to over-insure a customer."

"The protection market has enough problems as it is and tinkering with how it is paid will only create more issues."

Most say moving to a three-year clawback period would not have a major impact on the UK market, and

## Protection does not have the consumer detriment issues that existed in investments and pensions pre-RDR

that clawback periods incentivise advisers to write business which is more likely to stay in place for longer.

Daley says: "We want people to buy policies that are affordable and that meet their needs. We don't want to incentivise advisers to sell any old policy and not care if it lapses."

Connell points out that while the intention of clawback periods is to encourage advisers to write business that stays on the books, there may be adverse effects.

He says: "There may be a situation, for example, if rates go down, where it is in the customer's best interests to switch products before the clawback period finishes."

"The regulator may question whether customers are being moved at a time that is right for them or a time that is right for the adviser."

## MORTGAGE COMMENT



**STUART GREGORY**

## Free fall

I used to deal with mortgage brokers daily while working with a high-street bank during the housing boom. I can say, hand on heart, that 99 per cent of them did not charge a fee. It was pure commission, paid only on completion.

The mortgage market has gone through unprecedented change. Increased regulation, supervision and restrictions on lending have changed the market completely.

For mortgage brokers, that means more work required on behalf of the lender in order to satisfy the regulator's increased requirements. Then there is the greater amount of research required before a recommendation can be provided and an application submitted and managed to completion.

Our "commission" income has, in most cases, flatlined as lenders look to continue making a profit themselves while having to cover additional regulation charges.

A £100,000 mortgage can, in most cases, provide a commission of around £350 before a compliance company can take a proportion (around 10 per cent).

The broker can then look to cover the following: compliance membership charges, regulator charges (up 10 per cent this year), Financial Services Compensation Scheme levies (up 528 per cent this year), professional indemnity insurance and other operating costs. If they are lucky, there will be some money left to remunerate themselves and their staff.

Is the same question asked of accountants, solicitors and other specialist advisers? All would require some form of payment in advance of the hard, lengthy work they complete. Why is free better? Stuart Gregory is managing director of Lentune Mortgage Consultancy

# Independent thinking

**NIC CICUTTI**

## Osborne is reshaping our behaviour in areas where Labour would fear to tread

Budget included pension and buy-to-let changes other chancellors would probably not dare to make

If there is one thing that can be said of Chancellor George Osborne it is that he, unlike some in his own party and almost all of the Opposition, is prepared to get down and dirty in the world of personal finance.

Over the past two or three years, the range of populist measures he has unveiled in successive Budget speeches are radically reshaping the way we save money and what we do with our savings pots.

Whether you agree with the specific thrust of his policies, or believe he is opening successive cans of worms in his quest to raise more revenues, at least he is prepared to be daring in his approach.

His Budget last week is a case in point. Osborne announced a range of actual and potential changes on pensions and Isas that other chancellors would probably not dare to make - in some cases for good reason.

For example, his move to remove tax breaks from buy-to-let landlords would have been unthinkable for an incoming Labour government, wary of taking on such a massive and vocal interest group.

The Guardian newspaper estimates that some two million buy-to-let landlords could see half their profits wiped out by Osborne's move to reduce mortgage tax reliefs from 40 per cent to 20 per cent. For those with large BTL mortgages, this will have a serious effect. That said, larger landlords are saying they will compensate by raising rents.

A similar picture emerges over the reduction in tax relief on pension contributions for those earning more than £150,000 - earnings that include both employer and employee pensions contributions themselves, incidentally - using the money to increase the inheritance tax limit to £1m.

Essentially, the Chancellor is removing tax breaks on pension saving from an estimated 300,000 people who earn in excess of £110,000 (taking into account their own and employers' contributions) in order to remove a few thousand

estates annually from the IHT net.

True, he has introduced a taper on such largesse, starting at £2m, which limits the level of this handout to those who inherit assets they have not earned. But it makes you wonder how Osborne is managing to square such a move with the Conservative philosophy of helping so-called 'strivers' - those who actually work hard for their money.

If the argument was that those with large salaries needed to have a reduction in the tax relief on their pension savings, why not simply equalise the rate of relief at 30 per cent, as former pensions minister Steve Webb has argued?

Or even reverse the relief, with 40 per cent for those on basic rates of tax and 20 per cent for those on higher rates?

Then there is the 'consultation' over changing the tax treatment of pensions, making them more akin to Isas.

What was interesting about this announcement was it came at the same time as it is becoming clear that anticipated tax receipts from people accessing greater slices of their pensions are approaching £700m, compared to previous Treasury estimates of £320m.

My worry about doing away with contributions into pensions but offering access to them free of tax is threefold.

First, such a change will disproportionately benefit the better off who expect to be on higher earnings even after retirement. This will be at the expense of those who were just above the higher rate of income tax but expect their incomes to be below this level when they stop work.

Second, the Government is simply kicking the can down the road in terms of reducing the amount of tax relief it is forced to give on contributions every year. True,

**If you are telling people there is no incentive to save for retirement in the here and now, and that when you do the money will be treated the same way as an Isa, why would people want to bother?**



it will save money now but at the expense of potential revenues from a growing number of pensioners who would have been expected to pay tax on at least some of their retirement incomes two decades down the line.

My third concern is with the behavioural changes the Government's move could engender. Until now, saving specifically for retirement was helped by the notion that there was, in effect, a ring-fenced pot that could only be accessed after a certain age.

The pension freedoms reforms supposedly mean that many people can buy themselves Lamborghinis, according to Webb, although it is doubtful how many will actually want to do that compared with using the money to pay off debts, finance small practical projects or help their kids get on the housing ladder.

But if you are telling people there is no incentive to save for retirement in the here and now, and that when you do the money will be treated in exactly the same way as an Isa, why would people want to bother?

One or two commentators have suggested the Chancellor might offer some sort of matching scheme, whereby savers receive £X for every pound they save themselves.

This could work, as long as it is restricted to a certain amount of money per year, giving it the potential to have a redistributive effect - and helping the lower-paid save for their own retirements.

Either way, at least Osborne is prepared to look at an ossified system to see whether there are more effective ways to make it work.

I somehow doubt Labour would have dared to do the same.

**Nic Cicutti can be contacted at [nic@inspiredmoney.co.uk](mailto:nic@inspiredmoney.co.uk)  
Follow him on twitter [@NicCicutti](https://twitter.com/NicCicutti)**



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**KIM NORTH**


## Pension tax a low priority

**L**ast week's first Conservative Budget since 1996 brought with it even more changes to pensions, requiring a reprint of thousands of pages of literature. Not very environmentally friendly, is it? Among many other things, it resulted in a most interesting pensions taxation reform green paper.

George Osborne is trying to boldly go where no man has ever gone before by asking the industry its thoughts on trying to tax pensions in a similar way to Isas.

One of the key questions asked in the green paper is: to what extent does the complexity of the current taxation system undermine the incentive for individuals to save into a pension?

According to Scottish Widows' Retirement Report 2015, the good news is 56 per cent of people are now saving adequately for their pension; the highest level ever recorded.

The bad news is two out of three of those not saving do not because they cannot afford to do so. The taxation treatment of pensions comes so low on non-savers' list of why they do not save that tinkering

with that aspect will not make the slightest difference to encouraging the lower-paid to save for their retirement.

I have learnt from my dozens of years promoting pension saving as an IFA and as a consultant to pension companies that pension products are taken out through compulsion (auto-enrolment) or sold via high quality regulated advice.

Meanwhile, the Budget document also confirmed Pension Wise will, in the future, be open to people with defined contribution schemes aged 50 and over.

This is a very sensible announcement as it will allow the millions of people that will not pay financial advice fees to plan in advance for their retirement, maybe

even increasing pension premiums or moving away from high-charging or underperforming products.

The Pension Wise usage is reported to be low, which is not surprising due to the public apathy that surrounds retirement planning in the UK.

This has built up due to the lack of retirement planning education, pension misselling and the high-spending society we all live in, which makes pensions seem out of reach for millions. It is a shame as Pension Wise is the only place to go for guidance. The banks, which are ideally placed to provide such guidance, are a long time away from helping their millions of customers make the right retirement planning decisions.

The life and pension providers tend to only offer guidance on their own products and the majority do not help with later life choices such as equity release (the only place to go when the pension income runs out) and deferred annuities (a guaranteed income for life).

I wait with bated breath for a provider to make it so and offer all the products and guidance needed so the majority of us can live long and prosper.

*Kim North is managing director at Technology and Technical*

**Pension Wise usage is reported to be low, which is not surprising due to the public apathy that surrounds retirement planning in the UK**

**LEE ROBERTSON**


## In it for the long term

**I**got into a discussion with an industry pal last week about the nature of long-term advice, the responsibilities that brought and just how many financial planning businesses are unlikely (in their current form at least) to outlive their clients. As everyone would probably agree, the current spate of mergers, acquisitions and buyouts is only adding to the problem.

Those of us who operate in the financial planning sector are quick to look askance at the advice offered by larger institutions, be they banks, vertically integrated firms or discretionary managers. We state loudly it is the financial planning, discipline and objectivity, as well as the long-term nature of our relationships, which deliver the real value to clients.

But if we are going to claim to be the stewards of our clients' wealth and offer to work with them over the long term, do we need to rethink what we mean by that? If nothing else, the planning required and opportunities presented by the pension freedoms has dramatically extended the range and scope of long-term financial planning. Many

of our clients' children will now inherit wealth beyond property as pension capital passes down to the next generation. These sums could be quite substantial and the responsibilities of good stewardship placed upon us as advisers are not inconsiderable.

While we may consider the advice offerings of other types of adviser somewhat inferior, the organisations they work within do have a natural advantage: longevity. Many of these institutions have been around for a long time and, despite some of their current woes, will be around a long time yet.

And it is not just pensions but also people, as my industry pal outlined in a very pertinent scenario.

Consider an adult child with mental health issues but who will almost definitely outlive his parents. He will need proper long-term financial care and assistance,

possibly for decades to come. Do we run the type of firms that will actually be able to deliver it? Why would the parents appoint us and invest time and emotional energy in our services as their advisers knowing it is very possible we will not be around to assist the son just when he might need us most?

My pal is very complimentary of many firms and feels the levels of service and financial planning offered by advisers is often vastly superior to larger institutions. But his question is, should they trade superior advice and service for a long-term relationship?

I am not entirely sure I have a satisfactory answer yet beyond the fact that, when I do eventually sell my business, I will sell it to a quality organisation with financial planning and client care at the core of everything it does.

The problem for the moment does remain, however. If we are offering long term, cross-generational financial planning to families we should be able to demonstrate that we are also in it for the longer term. Our clients deserve nothing less.  
*Lee Robertson is chief executive of Investment Quorum*

**Do we need to rethink what we mean by long-term relationships?**

# What advisers are saying

## ON THE WEB

This is a small selection of the debate taking place online at [moneymarketing.co.uk](http://moneymarketing.co.uk)

We also like to receive letters to the editor, which can be sent to [natalie.holt@centaur.co.uk](mailto:natalie.holt@centaur.co.uk) or 79 Wells Street, London, W1T 3QN



*Comment related to article: MM leader: Pension freedoms are failing consumers*

Part of the problem seems to be providers' fear of retribution if they allow policyholders to encash their pension policies without proof of having taken advice. Should the policyholder later complain, providers can absolve themselves of blame on the grounds they simply facilitated an advised course of action.

Another part of the problem is advisers are not prepared to provide that advice if the policyholder goes against it, then later complains against them for having facilitated a detrimental course of action. The FOS disregards adviser-designed disclaimers and even one handwritten by the client is unlikely to be fireproof.

The whole business is a farce anyway because the providers do not seek to establish what the advice actually was.

And where is the FCA in all this? Certainly not doing anything to free up the log-jam.

Why not facilitate a straightforward procedure whereby anyone seeking to encash their pension is issued with a single page, straightforward list of 10 points they ought to consider before proceeding further?

If they sign that to confirm they have read and understood

## EDITOR'S COMMENT OF THE WEEK

### Pity Osborne didn't follow Webb plan of 30% tax relief for all

Last week's Budget was positive. There have been lots of opportunities created for us to help our clients. The only point that will be a nightmare to manage is the reduction in the annual allowance for those who earn over £150,000.

In principle it makes sense those who earn this level of income do not need as much help from the taxpayer to save for their retirement. However a fairer route would have been Steve Webb's suggestion of 30 per cent tax relief for all no matter what their income is.

Pity George did not have the courage to swallow Tory pride and accept Webb's plan as I believe it would have been fair and easier to administer. Plus it would have



increased my faith in politicians if they did what was best for the country rather than get hung up on how it might look.

**David Stoddart**



*Comment related to article: FOS chief exec: Good advisers have nothing to fear*

The FOS should publish a couple of examples of disputes on each product area, redacting the names of the adviser and client, so that we can all see whether the decisions are reasonable, what

all 10 points but wish to proceed anyway, that should be the end of it. Then they will have no one but themselves to blame should they regret their decision at a later date. Simple.

The obstacle to such a solution, as is so often the case, is that the FCA does not do simple.

**Julian Stevens**

## ADVISERS



**PHIL WICKENDEN**

### Enjoy the fertility of an open mind

**"I** neluctable modality of the visible." So begin the musings of Stephen Dedalus in the third chapter of James Joyce's *Ulysses*. "Signatures of all things I am here to read."

To be clear, I have not read it but did see the 1980s children's cartoon, which probably does not

count. It is, though, a pretty nice depiction of a mind at play.

Conscious of his own consciousness, Dedalus monitors his thoughts without reining them in. He is at once focused and unfocused. Seemingly scattered ideas coalesce into patterns, into art.

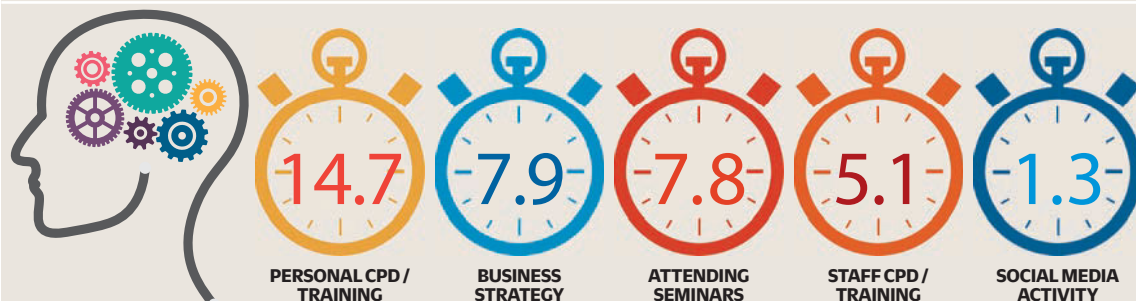
Brain researchers call this state of mind "open awareness", the science writer Daniel Goleman

reports in his book *Focus*.

According to Goleman, it is a form of attentiveness characterised by "utter receptivity to whatever floats into the mind". Experiments suggest it is also the source of our most creative thoughts.

I am paraphrasing here but we tend to think of attention as a switch that is on or off – we are focused or we are distracted,

#### Q: % OF ADVISER TIME SPENT ON...



% TOTAL BUSINESS SPEND

SOURCE: SO HERE'S THE PLAN



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the supporting "evidence" or documentation was and what the client alleged. Surely that would be the most straightforward way to provide reassurance to good advisers? After all, it is good advisers who cough up the FSCS fees to pay for those firms that were deemed "wanting".

**Dominic Thomas**



*Comment related to article: The Lang Cat: Platform custody costs will not fall to 15bps*

I completely disagree. Custody, reporting and rebalancing of portfolios is a commodity and as economics students know, commoditisation leads to significant pricing pressure as platform offerings become homogenised. Scale, efficiency and cost control are the key drivers of the successful investment platforms in the future, as has happened in the US where the market is dominated by three large providers which charge no basis points but modest transaction/activity fees. In 10 years' time we will look back and laugh at the thought that a platform could even charge 15 basis points.

**Jason Butler**



*Comment related to article: Aegon warns 80% of overseas pension transfers are scams*

according to Daniel. He reckons this is a misperception. Attention comes in varieties and its extreme forms tend to be the most limiting. When we are too attentive, we fall victim to tunnel vision. When attention is absent we just turn into scatterbrains. Open awareness lies in the fertile place between the poles.

But it is a place we seldom get to these days. Our smartphones and other networked gadgets allow us to jack into an unending supply of messages and alerts. Some of them are important, some are trivial, but all of them demand notice.

The resulting "neural buzz" can easily overwhelm our ability to control our focus and be truly productive.

Now I am not knocking social media, which remains vital - we have moved from a world of persuasion to one of permission and despite regulatory challenges, it remains a fantastic brand-building tool to grow your presence

Regrettably, the "regulators" do not regulate. New UK pensions are at best registered with HM Revenue & Customs and The Pensions Regulator.

This is a common misconception and something the scammers are keen to mislead the public on.

It is all "self-assessment". Fill in a form online and get a reference number.

Until it blows up and a scam is uncovered, only then do the authorities appear.

We should go back to the pre-2006 era when at least schemes got some checking before reference numbers were handed out.

**Bethell Codrington**



*Comment related to article: Emma Thomson: Time to rethink protection policy design?*

I recently had a mortgage payment protection insurance claim administered by one of the large life companies and can honestly say it was a painless and positive experience.

All too often we hear about the bad so here is a positive post supporting the industry.

They made the admin easy, paid my monies on time, when requested with no fuss or overarching delays and were empathetic to my situation.

**Craig Kerrigan**

**There is a massive number of people dropped by the banks who we can pick up. Engaging them with the right message and building the right proposition will be vital. It's just a question of what proposition.**

through sharing your experience and expertise openly (as long as it is done in a carefully selected way.)

What appears to be most at risk is our ability to stop. Do nothing. And let the mind go for a stroll. Because it is in this state when the most productive ideas and direction come - creativity is fostered by tasks that allow the mind to wander.

Old Dedalus would most probably have been diagnosed with ADHD and stuffed full of methylphenidate to stem his stream of consciousness - unless Twitter got him first. Phil Wickenden is managing director of So Here's The Plan

## AT THE COAL FACE



**STEPHEN WOMACK**

## All change for CII examiners

**P**ity the poor examiners at the Chartered Insurance Institute. They have slaved away to create a new diploma qualification: the R08 "pensions update" exam. This was designed to reflect the newly flexible retirement options introduced in April, following on from the Chancellor's Budget bombshell last year.

Yet before any candidate has even sat the inaugural paper, up pops Osborne last week with another set of pension gyrations to make it instantly outdated.

Like most sequels, Pensions Bombshell II is a poor imitation of the original. For starters, the idea of capping pension tax relief for top earners was trailed in the Conservative manifesto and so the decision to do so was hardly a surprise.

Having said that, the way in which the cap is going to be applied has come as a shock to some. The threshold income of £150,000, after which tax relief will start to be tapered, includes any pension contribution. So, for example, an employee on a basic salary of £135,000 with a 15 per cent employer pension contribution will fall into the net. High earners in defined benefit schemes will have an extra headache with the potential of unexpected tax bills if employer contributions are valued more highly than expected. Only those whose income is regularly below £110,000 are guaranteed to be exempt from the taper.

Another little surprise is the decision to automatically align all

pension input periods with the tax year from 6 April onwards. A side effect of this is to create a tax year within a tax year and allow savers an extra £40,000 of pension annual allowance in the current one. For some, it will be the final chance to make hay in the sunshine of full tax relief.

Almost as an afterthought, HM Revenue & Customs estimates a one-off bill of £170m for employers, pension schemes and advisers to implement this complicated new system - and then extra ongoing costs of £20m a year.

The Budget also lit a fuse on a potentially far more significant pension bombshell with the launch of a consultation on the future of tax relief. Put bluntly, the Chancellor wants to reduce the long-term cost of upfront relief, nudging almost £50bn a year in lost income tax and National Insurance. At the same time, many argue tax relief is a crude incentive that fails to resonate with lower-paid workers.

This 12-week consultation asks for ideas on how the system could be reinvented to make it "simple and transparent" and "sustainable" - Osborne-speak for cheaper.

## HM Revenue & Customs estimates a one-off bill of £170m for employers, pension schemes and advisers – and then extra ongoing costs of £20m a year

One idea floated is to back-load the tax incentive, so the pensions produce an untaxed income. But with any major reform such as this, the concern is that a pledge made by a politician today could easily be overruled by a future chancellor. The great attraction of today's tax relief is you receive your state incentive to save right at the start.

Taken in the round, last week's Budget signals another unwelcome set of changes to the pension status quo and means the unfortunate CII examiners have yet another new syllabus to write.

Stephen Womack is a chartered financial planner with David Williams IFA



**Do you agree with Stephen's view? Join the debate @moneymarketing.co.uk**

CLAIRE TROTT

# ‘There is a push to automate, but then you lose the personal touch’

Talbot and Muir’s head of pensions technical relishes her freedom as a new member of the board

AMANDA NEWMAN SMITH

Joining the board at Sipp and SSAS specialist Talbot and Muir is a “massive highlight” in Claire Trott’s career. The firm’s director, head of pensions technical, admits only a couple of years ago she could not see where her career was going or what difference she could make.

She says: “Joining Talbot and Muir and having the freedom to express my own opinion once again has been a breath of fresh air. It has reinvigorated my interest in the industry and where it is going. That is why it feels right to join the board. It is a big step and I suppose I should be nervous about the responsibility but we are a team and I know I can depend on them all for support should I need it.”

Trott joined Talbot and Muir in 2013 as head of technical support, dealing with queries from advisers among other things. She has worked on the technical side of pensions since entering financial services in 2001 and says the key to being able to communicate information clearly to advisers is getting it straight in her own head first.

“That may seem obvious but opening your mouth and realising part way through that you only have half the answer doesn’t help anyone; neither does jargon or long-winded explanations. Short and sweet is key. It is a very complicated area

but I thrive on that and really enjoy working with advisers to make sure they are fully up to speed on all the changes and implications for their clients and their businesses.”

So what do the pension freedoms mean for advisers and their clients? “The pensions freedoms are billed by many as making life easier for retirees, and should the changes stay in force for long enough – around 40 years – they should. But it is the historic layers of legislation that cause many of the problems, as well as the issues that occur because legislation is written on the hop, leaving gaps.

“Advisers who understand these issues are well placed to help their clients. We know not all providers will be offering the freedoms in full and advisers need to be mindful of the need for clients to access these benefits when it is time. This may be on death, not just on retirement.”

**Opening your mouth and realising part way through you only have half the answer doesn’t help anyone; neither does jargon or long-winded explanations**

For Trott this is a big issue. If clients think they will be able to leave tax-free income to their beneficiaries and this is not the case, there is nothing that can be done when they are already dead.

“Now is the time to review all death benefit options and nominations. Providers are getting a lot of grief for not offering all the pension freedoms to clients. What I find odd about this is that it isn’t anything new. How many stakeholder pensions offered capped drawdown or property investment? It was allowed by legislation but no one was up in arms that you could not do it in a price-capped product. Now providers are expected to upgrade their systems and offer full benefits to all clients, whatever the structure of the plan.”

You get the impression that, after 14 years at the technical end of pensions, nothing surprises Trott. Her most bizarre query was from an adviser who wanted to know if a client could hold a steam train in a Sipp. “It was a tourist attraction but technically it was still tangible and movable, so would have been taxed to high heaven,” she says.

Trott admits she sometimes struggles when dealing with HM Revenue & Customs. “It is difficult to get a definitive answer when you are constantly referred to wording that is vague at best and misleading at worst. It did improve for a time but you now have to deal with legislation that was written in a



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## FIVE QUESTIONS

**What is the best bit of advice you've received in your career?**

Focus on what you can change. There is no point worrying about things already done or set in stone.

**What keeps you awake at night?**

My three pedigree cats, especially when there is a full moon. Otherwise I tend to sleep well – you can't fix stuff when you are running on empty.

**What has had the most significant impact on financial services in the last year?**

The press. I don't think pensions have ever had quite so much coverage, good or bad.

**If I was in charge of the FCA for a day I would...**

Write some actual rules. Guidance is all very well but people tend to interpret things in a way that suits them rather than what is best for the client. You spend your life second guessing what they mean and want from you.

**Any advice for new advisers?**

Being technical is great but being human is better.

## CV

### 2015-present:

Director, head of pensions technical, Talbot and Muir

**2013-2015:** Head of technical support, Talbot and Muir

**2008-2013:** Pensions technical manager, Suffolk Life

**2005-2008:** Assistant manager, technical and marketing, Suffolk Life

**2004-2005:** Pension transfer specialist, FPS Mark Lloyd

**2003-2004:** Trainee financial adviser, Mark Lloyd and Co

**2001-2003:** FSAVC review manager, Mark Lloyd and Co

hurry and doesn't necessarily fit well with historic legislation still in force.

"I feel for the people at the sharp end of HMRC: they are expected to have all the answers ready at a drop of a hat even if they weren't warned or consulted on the changes being brought in," she says.

As a child Trott wanted to be a vet but realised she was "significantly better with numbers than blood and mess". She studied maths at university, which paved the way for a career in pensions, starting as free-standing additional voluntary contributions review manager at Mark Lloyd and Co, which became FPS Mark Lloyd. When the pensions review work started to wind down she trained full time to be an adviser and a pension transfer specialist.

On the same day she decided to leave FPS Mark Lloyd, John Moret offered her a job at Suffolk Life. "I joined Suffolk Life only months before A-Day. The freedoms brought about at A-Day made Sipp and drawdown significantly more mainstream and today you can argue there is little, if any, dividing line between some occupation schemes, a personal pension and a Sipp."

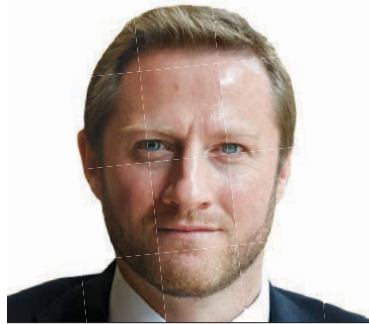
The move from adviser to provider was tough for Trott. "This was also a change of focus from occupational schemes to Sipp, and just before A-Day, so the world of pensions was in a state of massive upheaval already. You wouldn't think it would be that different but to go from working in a tight group of three advisers you could bounce ideas off to being part of a large organisation with external advisers relying on you can be quite daunting," she says.

Now in her element at Talbot and Muir, Trott says the firm will continue to prioritise high service standards. "There are many ways we can become more efficient and easier to deal with.

"We are looking at growing both organically and through well-matched acquisitions. We don't want to sacrifice what has already been achieved with quick additions just to get the numbers up. There is a push from some sides of the industry to try to automate everything but then you lose the personal touch."

Trott cannot imagine being able to deal online with the complexities she sees at Talbot and Muir.

"The clients we deal with have multiple layers of protection and investments in things from orchards to warehouses. They need people to talk to and we have administrators that can answer their queries, not just tick boxes on a computer."

**TOM NALL**


## The business of auto-enrolment

Firms which tackle auto-enrolment in the same way as regulated business can add both quality and service

**T**here are not many companies which would hand over cash for services they only vaguely understand. Yet this is the challenge facing advisers and payroll providers tackling auto-enrolment.

The process of educating employers so they recognise the value of auto-enrolment support can prove costly and there is a real risk any fees generated may not cover the costs in time, resources and energy. Add to that the risks of straying into regulated individual advice and the threat of retrospective regulation and it is not surprising many payroll firms look to partner with advisers to complete the service for their clients.

While advice to employers is unregulated, I would recommend approaching it in the same way as you would any regulated business in terms of fact-finding, determining suitability and documenting the advice process from end to end. "Unregulated" rarely translates as "risk-free" and that is particularly true of auto-enrolment. Adhering to the same process as you would for regulated business is not only a way in which you can further demonstrate the value of your services but will also act as an additional layer of protection for both advisers and clients if you need to justify the actions taken at some point in the future.

With regard to suitability, a tiered approach is not just advisable but is the only way to cater for the SME market. Those who see auto-enrolment as a cost to mitigate may want a very different proposition to

those who see it as an investment in their staff. From the payroll perspective, the "qualities" of a solution will be in how complex it is to run and what costs it drives into their business. Many SMEs outsource their payroll, of course, and the operational challenges to accountants and bureaux managing auto-enrolment across multiple clients, providers and systems will drive up the costs of these services.

By working with advisers, they can have the comfort of knowing their clients are getting the full support they need implemented in a fully compliant manner and that the adviser can also consider the operational implications of different solutions. By bringing consistency across a book of clients, those operational costs can be managed and controlled.

Similarly, when working with accountants, advisers need to have a documented, end-to-end

collaborative process to follow. Accountants will need support in the areas in which they either do not want to or are unable to become involved, such as workplace seminars, pension freedoms and pension transfers.

Auto-enrolment, and pension work generally, can raise some complex issues and nobody wants a scheme to be put in place just because it is the easiest option for payroll.

When partnering with accountants, it is always advisable to do enough research to feel comfortable this is an individual with whom you are happy to be professionally entwined and you should expect them to do the same in return.

In addition to keeping compliant if this relationship leads to any regulated business in the future, you also need to ensure you have a good understanding of their business model and the processes and activities they will own to ensure there are no conflicts in the service you will be offering.

The fee structure needs to be realistic and clear from the outset; auto-enrolment is a big undertaking and an adviser's time is valuable. You may also need new software and systems specifically for these tasks and you will need to build the costs of these tools into your charging model. Some pension providers charge, some do not. Ensure your client is aware of these fees, where relevant, from the moment you put forward your proposition.

A charging structure needs to take into account all the preparatory work an adviser will be doing, for example, fact-finding, creating an implementation plan for the employer, helping to determine who should be included in the worker assessment, arrangement of salary exchange and planning and delivering workplace seminars. The best models also reflect the costs arising from payroll to demonstrate the total cost to the employer.

SMEs will have budget and resource limitations but, with the steps outlined above, the value of auto-enrolment services can be compelling - profitably protecting existing clients and creating valuable new relationships. Applying the same processes to auto-enrolment you would to conducting regulated business will not only save you time in the long run but could also add a layer of both quality of service and peace of mind. *Tom Nall is director of workplace solutions at SimplyBiz*



### COMPLIANCE TIP OF THE WEEK

## No need for special effects

The changes to the pension transfer definition will require firms wishing to continue to advise on the switching of safeguarded benefits within personal arrangements (guaranteed annuity rates within personal pension schemes and minimum income guarantees within a retirement annuity contract) to hold the additional permission of "pension transfers and opt-outs".

This will mean that those firms which are not authorised for the activity will need to apply for a variation of perm-

ission or cease carrying out this activity.

The majority of pension transfers require the case to be conducted, or signed off, by a pension transfer specialist.

However, for the circumstances mentioned above it does not require any involvement from a pensions transfer specialist, meaning the person conducting or checking the case will not be required to hold an additional qualification (for example, G60/AF3).

*Aileen Lynch is head of technical at Compliance First*



## JANE CUTHBERTSON

Don't ask,  
don't get

Five ideas for advisers to consider that remove the perceived mysticism around gaining referrals

Most advisers know referrals are one of the most effective methods of growing their business yet many still struggle to get them, let alone good ones. In our experience, too many firms do not even have a referral strategy in place. So, where do you start?

Here are five ideas to consider in order to achieve more good quality referrals.

**1: Know who to ask**

Clients tend to refer people like themselves, so will often refer down or across but seldom up. With this in mind, to ensure you get the right quality and type of referral, look to the top end, most profitable clients you most enjoy working with.

**2: Know when to ask**

We have come across advisers who ask for referrals at the first meeting with their clients but we believe this is too soon. In the early stages of the relationship your client does not have sufficient experience of you to be in a position to honestly recommend you. Asking too early on can also be a complete turn-off.

You have to have earned the right to ask. The best time to do so is when you know clients are happy with your work, such as when they provide positive feedback or when they have been a client for some length of time.

**3. Know how to ask**

There are many subtle and professional ways to kick off a referral conversation: you do not

have to go straight for the jugular. Ice-breakers along the lines of: "Which elements of our service do find the most valuable?" or "You've been a loyal client for a long time now. Why have you stayed with us for so long?" can start a conversation that can lead to you asking whether they could refer you. This also gives your clients the opportunity to feed back areas for improvement which, if taken on board, can lead to an improved client experience for all and, in turn, even more referrals.

**4: Make it a habit**

Part of your referral strategy should include how, where and when you ask. The strategy should be adopted by all your advisers and the approach should be consistent across the business.

Include appropriate text in your email signatures, letters and newsletters to make sure clients can see that you welcome referrals.

**5: Help them to refer**

Help clients to help you by providing guidance on how they might frame conversations with others about a referral. A short "script" that explains what you do and how best to refer you helps to make the process more like a friendly introduction rather than a big commitment.

You need to remain front of mind when the topic of finances comes up between your clients and their friends. As well as including reminders in all your communications with clients, you could also give them some referral cards or business cards.

Remember, underpinning the opportunity to get referrals is delivering value and an excellent service to your existing clients. Get that right and it is easier to implement a successful referral programme. Clients who refer you are putting their reputation on the line. They are expecting you to deliver (and you absolutely have to), otherwise you jeopardise your existing relationship too.

For many advisers the subject of referrals seems to have some sort of mysticism about it, as if those who are successful at getting them possess a hidden gift or talent. Amazingly, some advisers just never ask and are leaving their business to grow more slowly than it otherwise might. Sure, confidence plays a part but as the old adage goes: if you don't ask, you don't get.

*Jane Cuthbertson is a chartered marketer and associate consultant with Steve Billingham Consulting*

## BUSINESS TIPS



## DAVID SHELTON

Introducer  
targets

If you adopt the perspective of the introducer you will know they have been courted by advisers many times before and often let down in practice.

If you have to overcome a negative stance it is very important to focus on the potential benefits you can offer them early in the initial discussion. These can include:

- Service: provision of complete service for their clients
- Compliance: no risks and worries because you carry the responsibility
- Simplicity: you deal with all administration and communicate back to the introducer
- Client retention: enables the introducer to compete with others who have advice businesses in-house
- Client confidence: the introducer and his clients will be up to date with changes and developments in financial markets

● Remuneration: subject to professional body guidelines  
You should develop the initial campaign to attract introducers in the same way as any other marketing campaign. This should ensure your approach is thorough and that initial contacts, be they letters or seminars, are followed up by the right person in a timely manner. As with many business-to-business campaigns you should focus on a small number of key targets as opposed to a large number of "possibles".  
*David Shelton is a consultant at Stoke Bishop Associates*



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## TAX



**TONY WICKENDEN**

## Diversionary tactics

Some OECD countries believe the UK has jumped the gun with the introduction of a diverted profits tax

I ended last week's article on corporate tax avoidance with the fact Caff  Nero has recently brought attention to itself (in a good way, it had hoped) in deciding to stop stocking milk from farms in areas that culled badgers. It seems, however, that badger-loving Caff  Nero is also a fan of Luxembourg and the Isle of Man, and has paid no tax in the UK since 2008.

I left you with the question: does the public care? To answer that question you need to take account of the fact it seems coffee and where you buy it represents an increasingly important part of peoples' lives. With this in mind, the shops people hang out in need to be seen as good citizens. It is not cool to fraternise with (perceived/alleged) tax avoiders.

So, there is the stick of being branded a tax avoider but also the carrot of the Fair Tax Mark. I have written about it before. Effectively, it is a kitemark for good taxpaying, transparent corporate businesses. A company can qualify for it by hitting a number of specified benchmarks as well as paying a fee. Being a kitemarked, responsible corporate citizen could well generate extra customer loyalty.

There is also a newer version in the recently launched Fair Tax Pledge. This is a free, self-certified declaration of opposition to tax avoidance. This public statement of good corporate tax citizenship is something that appeals to the coffee stalls you find on stations run by AMT. Apparently it has signs at the counter stating: "100% taxes paid". Would that motivate you to buy from them as opposed to Nero or Starbucks? Or is personal taste the key determinant?

Perhaps it is more important to look at what is going on officially. There is currently some consternation that the UK has jumped the gun on the rest of the OECD with the introduction of the diverted profits tax.

Some, especially US politicians, say the UK is undermining efforts on a broader scale (notably through the OECD) to tackle so-called base erosion and profit shifting: action to prevent companies shifting the taxability of profits in one jurisdiction to another through an international global corporate business structure.

Apparently, a number of US-listed companies have already told investors the UK DPT could have a material impact on their finances. The DPT is expected to raise more



**Some say the UK is undermining efforts to prevent companies shifting the taxability of profits in one jurisdiction to another through an international global corporate business structure**

than £1bn over the next five years by applying a penal 25 per cent rate to diverted profits.

So how does it work? The tax targets specific, defined circumstances where it is considered taxable profits have been diverted from the UK. The legislation is a response to the perception that large companies are generating significant profits from the country but paying very little UK tax.

The DPT is intended to target those multinationals that undertake contrived planning to avoid or reduce tax on profits generated in, or connected to, the UK. It was introduced to deter and counteract such activities.

The 25 per cent DPT is intended to encourage businesses to restructure their arrangements so they are subject to the lower 20 per cent rate of corporation tax instead.

The DPT applies to diverted profits arising on or after 1 April this year. There are apportionment rules for accounting periods that straddle that date. I will give a bit more detail on the DPT next week.

*Tony Wickenden is joint managing director at Technical Connection*



## OFFSHORE BONDS



**RACHAEL GRIFFIN**

### Offshore options

Changes to the tax rates for savings income have created opportunities for offshore bondholders

In last year's Budget, the Government announced the 10 per cent starting rate of tax for savings income would be replaced with a new 0 per cent rate from 6 April 2015. It also increased the amount of savings income the new 0 per cent rate applies to from £2,880 to £5,000. This means anyone with a total income of less than £15,600 will not pay any tax on their savings and can register for tax-free savings.

Anyone who has earned income of less than £15,600 a year is entitled to tax-free interest on their savings up to the £15,600 limit (the £10,600 personal allowance and £5,000 savings income band combined).

This has implications for offshore bondholders, allowing them to manage their tax affairs more efficiently.

Life assurance policy gains are treated as savings income within chapter nine of part four of the Income Tax Act 2005. Gains from onshore bonds are always taxed as the highest slice of income and are therefore subject to tax at the marginal rate. Chargeable gains arising from offshore bond encashments fall within the "savings income" bracket and may, therefore, fall within the savings rate band.

Let's assume an individual with £10,000 in annual pension income wanted to boost their retirement income by withdrawing money from an offshore bond. They decide to withdraw £10,000 a year from the

bond, into which they had originally invested £100,000. The original investment amount gives a £5,000 deferred tax allowance, 5 per cent of the value of the original investment.

Therefore, the gain is calculated to be £5,000 from the £10,000 withdrawal. Added to their £10,000 pension income, the individual has £15,000 taxable income and therefore falls below the £15,600 threshold.

Let's consider another scenario. An individual inherited £500,000 14 years ago. They decided to invest the proceeds in an offshore bond. It has since grown in value and the investment is worth £1m.

The individual has two children at university and would like to help top up their income as well as giving their partner some additional money.

The bondholder is a higher rate taxpayer earning £75,000 per year while their partner has a small income of £10,500 per year from a part-time job. Both the children at university make a small income of £4,000 each year.

In order to give them some extra income, the bondholder decides to assign each of them four of the 500 policies from the bond each year. Each of the 500 policies was originally worth £1,000. They are now worth £2,000 each, leaving a gain of £1,000 on each policy.

The bondholder's partner will therefore have taxable income of £10,500 in salary and £4,000 from the bond, creating a total of £14,500. Total income therefore falls within the £15,600 threshold.

Likewise, the bondholder's two children will have £4,000 of taxable income from the investment given to them and £4,000 of salary income, meaning their £8,000 income will not be taxed.

If the client had withdrawn the proceeds from the 12 policies in his own name, the tax liability would have been £4,800, as a £1,000 gain will have been taken on 12 separate policies and incurred tax a 40 per cent.

As an alternative, the bondholder could have chosen to make the withdrawals as partial withdrawals across all policies within the 5 per cent tax deferred allowance. However, as the proceeds are for the benefit of the client's partner and children, they can all take advantage of their personal allowances and the £5,000 savings income band, making this the most tax-efficient solution in this situation.

*Rachael Griffin is financial planning expert at Old Mutual Wealth*

## THE CPD CENTRE QUIZ

To help you to keep up with the fundamentals of tax, retirement and financial planning, try these two questions.

**1** Peter left £200,000 in trust for a charity that turned out to be a fraud. The court held that the so-called "charity" could not benefit. What would be likely to happen to the £200,000 and what would the consequent trust arrangement be called?

**A)** The £200,000 would be paid to the trustees of the "charity" personally and the arrangement would be called a consequential trust

**B)** The £200,000 would be paid to Peter's estate under a "resulting trust" as a result of the failure of the original trust

**C)** The £200,000 would be paid to a charity with the closest aims to the original charity Peter chose and the arrangement would be a charitable donation to a trust

**D)** The £200,000 would be paid back to Peter's estate and the money would be held briefly as an absolute trust

**2** Jane has invested in a Sipp valued at £1m. She uses £200,000 to purchase a flat as a second home. What will be the tax consequences if any?

**A)** The investment will be an unauthorised payment and the total tax charge at that time will be 70 per cent of the purchase price

**B)** The investment will be an unauthorised payment and the total tax charge will be 55 per cent payable by the member

**C)** The investment will be an unauthorised payment and the total tax charge will be 55 per cent, of which 15 per cent will be paid by the scheme

**D)** There will be no immediate tax consequences

Answers 1: C, 2: C

Questions supplied by CPD Centre

**CPD CENTRE**



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## What to look for in a new CMS provider

*by Ann Dempster, Plum Software Managing Director*

Okay, it's time. You need to do something about your Client Management Software (CMS) and get back to the fun of being a financial adviser. But which software is right for you? How do you get beyond the sales pitch and make sure your CMS provider can truly understand your needs and support your business?

Here are three simple questions to help you get to what matters.

### Does the CMS complement your business practices?

The most important function of any CMS is to make your job easier. You need to be able to create workflows and assign tasks, modify or create bespoke fields to align with the way you manage your business and communicate with your clients.

It is critically important that you have a live demonstration of the software, not just a PowerPoint presentation or online demo, so that you can be sure the CMS works the way you work, that can be tailored and adapted to fit with your processes.

### Will you get the support and development that you need?

Your business moves fast, your CMS partner needs to move with you. A good CMS serves your business needs today and will grow with you as your business grows. Look for a system with robust development capabilities and a track record for listening and responding to client feedback. Check out their customer support too – make sure they offer phone support and not just an email helpdesk. Further, make sure that when you call you talk to an expert right away, nothing can disrupt your business more than not being able to get answers you need when you need them.

### Is your data secure and accessible?

Your clients trust you to protect their data. Check and double check the security measures of your CMS provider, and if they are cloud based make sure it's a private cloud and that your data is protected by the Data Protection Act. Also make sure that you have access to your data and that you can readily get it from your provider at no additional cost. After all, it's your data!

Good luck in your search, and let us know if we can help.

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# Careersbrief

## INSIDE

47 Commentary  
49 My Beautiful Career  
49 People on the Move  
50 Development Focus

## Wealth of experience

A new qualification puts the focus on the practical skills of mortgage advice

AMANDA NEWMAN SMITH

**F**ew would disagree there is no substitute for experience in financial services. But for newly qualified mortgage advisers, finding that first job can be a bit of a “chicken and egg” situation.

How can someone get the experience that makes them more employable if they are struggling to find a job that builds just that?

Studying for the Certificate in Mortgage Advice and Practice is a common gateway to a career as a mortgage adviser. But although candidates who pass CeMAP are professionally qualified, some in the industry find it wanting when it comes to the practical skills needed to become a mortgage adviser. CeMAP is designed to test theoretical knowledge in areas such as regulation rather than real-life problems and practicalities such as finding new clients or making recommendations.

Against this backdrop, financial services training firm Simply Academy has developed a qualification for those who are CeMAP qualified or similar but looking for an additional qualification that focuses on the practical skills of mortgage advice.

The aim is to prepare newly qualified advisers for employment by bridging the gap between the theoretical knowledge tested by CeMAP and on-the-job training.

The Competent Mortgage Adviser Certificate is an online training programme that launches at the end of August. It is made up of six units, with five of those each comprising an exam of 20 multiple-choice questions, an online digital workbook and case study.

The first five units are mandatory and cover finding new clients, introduction and information gathering, resolving client needs through protection, how to present mortgage and protection recommendations to clients, and the completion of applications. The final unit is a formal assessment,

## ADVISER VIEWS



**Stuart Gregory**  
Managing director  
Lentune Mortgage  
Consultancy

Studying for an additional qualification on competency is not a replacement for on-the-job training which will give practical experience and knowledge on the relevant nuances regarding dealing with clients. Some of that can only be gained by speaking to those who already give advice. I see this as an enhancement to training.



**David Hollingworth**  
Associate director,  
communications,  
London & Country  
Mortgages

We are happy to take people entirely new to the industry on and will arrange for them to take CeMAP. We do not carry the same misgivings about newly qualified advisers trying to break into the market. Of course this new qualification may well find an audience and help to give some practical rounding to the CeMAP exam. Ultimately the practical experience will only truly come from doing the job.

which draws together everything candidates have learned.

Simply Academy director Mark Fenwick says the course was developed on the basis of the firm's own experience of being with a mortgage network, alongside input from industry professionals, including an experienced mortgage broker who works as a tutor for the firm.

CAPDM, a company that develops

online courses for universities, was also drafted in to advise on the structure of CMAcert, such as the need to have an assessment element and a pass mark, which is 70 per cent for each unit.

Tuition fees are £1,225 plus VAT for CMAcert units one to five and an initial formal assessment fee of £125 plus VAT. If candidates need to re-sit the formal assessment, an extra £95 plus VAT is payable.

As an online course, interaction between students and their team of tutors takes place through the online digital workbook.

“Students will be able to go onto their digital workbooks and research things. They can go onto Mortgage Brain, for example, and bring that research back to upload onto the system. The tutor can then go online and look at it,” says Fenwick.

“We also have video tutorials. We want to make it as interesting as possible for students.”

Fenwick adds CMAcert is being aimed at different markets so it can be white labelled for employers, who can also log in to the system to check on the progress of their employees. The course also has accreditation from the National Skills Academy Financial Services.

“We wanted to seek accreditation because we felt strongly about having the backing of a recognised body and having that authority,” says Fenwick.

The NSAFS is a charity set up to work with the financial services industry in training and professional development. Head of sales and employer engagement Trevor Child says: “We accredit financial services firms on training programmes as fit for purpose. It's like a quality mark.”

Child is CeMAP qualified but says it is now possible to do the exam in a week, which does not mean someone is ready to be a mortgage adviser. “Someone undertaking CeMAP to become a mortgage and protection adviser jumps over the hurdles to get qualified but it is very theoretical. The CMAcert programme gives the benefit of someone with years of experience explaining the practical pitfalls of doing the job,” he says.

## Featured jobs



### Client Relationship Managers

£35-45K

London

Full details p46



### Corporate Pensions Analyst

Up to £35,000

London - Ref: VC544ZZ

Full details p46



### Financial Planner

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Full details p53



## Client Relationship Managers required

**London**

**£35-£45K**

One of the most prestigious IFA firms in the City of London is looking to take on Paraplanners and to work with Chartered Financial Planners in dealing with High Net Worth private clients.

The firm advises very wealthy individuals offering a holistic financial planning and investment management service and they are part of a large international group of businesses.

They require intelligent, focused individuals who are looking for a career path in financial planning. You would ideally have a level 4 Diploma although this is not essential. The key experience is both technical knowledge and the ability and desire to deal with clients. While the Chartered Financial Planner is out networking and bringing in new business you would manage a lot of client inter-action.

In return you will work for a top 10 IFA practice which will demand the highest standards but who will also invest in your career. This is an ideal role for someone who has made a start in the business but who is looking for a way to reach Adviser status while working in a proper firm.

For further information please call us on **0207 3975544** or email a cv to **recruitment@financialdivisions.co.uk**



### SENIOR IFA SUPPORT ADMINISTRATOR

LONDON - Up to £33,000

Our client are a boutique IFA based in the City of London who are now looking to expand their support team by recruiting two new client support administrators. Day to day duties will include answering the phone, looking after clients that visit the office, basic report writing and processing new business applications. You will also be supporting the directors with their day to day duties including managing their diaries, arranging travel, preparing documentation for client meetings and making travel arrangements. The successful candidate MUST be working towards achieving Diploma status and have previous experience working within an IFA or Wealth Management consultancy.VC882ZZ

### HNW PARAPLANNER

London - Up to £45,000 + Benefits

My client is an award-winning wealth manager looking for an experienced Paraplanner to join them. The role will require you to prepare detailed reports and provide highly technical research services to a team of experienced Pensions and Employee Benefits Consultants. This role will suit a highly experienced and technically proficient Paraplanner with several years' experience within an Employee Benefits or Pensions Paraplanning role and who has an in depth understanding of complex reports relating to Pensions and associated products report writing processes VC566ZZ

### JUNIOR PENSIONS CONSULTANT (LEADS PROVIDED)

LONDON - OTE £55K

A fantastic opportunity has arisen for a junior Pensions Consultant who is adept at dealing with HNW clients, to join a leading wealth manager in their London team to not only provide technical support to their top advisers and clients but to undertake IFA duties as well. The successful candidate will be an experienced Paraplanner/Consultant, confident in working with HNW clients. You will be fully Diploma qualified, with a strong knowledge of all investment, life and pensions' products/legislation and be working for either an IFA practice or consultancy with a first class track record in providing sales support to advisers. VC650ZZ

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## Job of the Week

### Corporate Pensions Analyst

London - Up to £35,000

Our client, a large Pensions Provider based in the City of London is now looking to recruit an experienced Pensions Analyst to join their Scheme Administration team.

Key duties will include analysing and highlighting trends, acting as an SME for processes within the team, creating reports and raising defects as necessary with the Board. You will be responsible for projects enquiring about late paying employers as well as running, monitoring and recommending service improvements to ensure tasks are completed within agreed SLA's.

The successful candidate will have a strong analytical background within the Pensions sector and up to date knowledge of current UK Pensions legislations, previous experience in working with the Pensions Regulator and liaising with senior management.

Ref: VC544ZZ

# Commentary

## ADVISER'S VIEW



**LISA WINNARD**

### Train of thought

**B**usinesses can often find there is a disconnect between operational managers, people development teams and learners when it comes to training.

What is classified as training? Why is it needed? And is a large budget and external consultative resource really required to deliver a comprehensive personal development programme?

According to the 2013 IBM Smarter Workforce survey, employees who do not feel they can achieve their career goals at their current organisation are 12 times more likely to consider leaving than those who do. This number skyrockets to about 30 times more likely for new employees.

The survey also found 84 per cent of employees in best-performing organisations were receiving the training they needed compared with just 16 per cent in the worst-performing companies. This sends a clear message there is significant value in ensuring training within the workplace is recognised.

As the work environment rapidly

facilitates ever increasing numbers of employees working away from the office, it is important to give attention to how accessible and effective a training programme is.

Learning styles and preferences can be attuned to particular methods and careful thought should always be given to providing a variety of training techniques. This also applies when deciding where exactly the training should take place and if virtual training is more relevant.

The matter of internal versus external training provision can sometimes be decided by the significance of the topic. There is little argument against the fact that investment in an external trainer demonstrates the importance of the topic and heightens the perceived value of the experience.

**Internal v external training can sometimes be decided by the significance of the topic**

Training design and delivery should consider and provide for the activities affected after the session has completed. Certainly, effective absorption of new information, adoption of new skills and an embracing of behavioural change occurs when prompted at the right time but is this expectation defined to the learner? Reflective learning logs and action commitment plans introduced as part of the formal training event are valuable tools in providing the extension to the workplace environment.

Whatever training decisions are made in terms of external versus internal delivery or live classroom versus virtual, a key factor is the clear definition of the training activities, their transfer into business as usual and the review of adoption. In these circumstances, learners will appreciate the ongoing investment, line managers will become actively involved in the progress and the evaluation activity, ever important to the justification of the training budget, considers more than just reaction and learning but behaviour and results.

*Lisa Winnard is HR director at Sesame Bankhall Group*

## THE IFP'S VIEW



**SAM REES-ADAMS**

### Doing the right thing

**A** popular session at our ethics workshops introduces the audience to corporate philosopher Roger Steare's decision-making tool Do the R.I.G.H.T. thing. It gives a practical framework for tackling difficult decisions and is immensely powerful in what it enables you to do. The focus is on the problem you are facing and the resolution being sought rather than on a complicated methodology.

Most of us are sure we will do the right thing no matter how difficult it may be but, hand on heart, is that really always true? If we are honest, we can all think of situations where we probably fell short. Not from any malicious intent nor lack of courage but sometimes just because we were trying to help.

If you have ever managed staff, you will know difficult conversations about performance can sometimes be tempered by a commitment to extra training and support in an effort to rectify the problem.

While I am not criticising anyone for offering extra training, brutal

honesty suggests it is not always the right thing to do. If you know the staff member is never going to be able to deliver what you need them to, are you helping by postponing the inevitable? It is far better to make the tough decision early on and give everyone the chance to move on to better things.

So why can it sometimes seem so hard to do the right thing? While some situations are black and white, these are outnumbered by those where the right thing is not immediately obvious.

We are mindful of the consequences of choosing a particular course of action, often unintended, and the more we think about things, the more opaque they become. In such circumstances, it is easy to end up not doing the right thing because the complexity of the situation is overwhelming.

**If we are honest, we can all think of situations where we probably fell short**

Sometimes the fear of reprisal can seem too great. Formal procedures such as whistleblowing are huge undertakings, and can often have severe and very public consequences.

But weigh this up against the danger of doing nothing: if it is an internal issue, who else within the company has the potential to be harmed? What risk is there to the company itself? If it is an external issue and there is the potential for client detriment, how can you justify doing nothing?

Then there is context. We do not operate in a vacuum and this is what stops things being black and white.

Reasons can always be found for behaviours and decisions but there is a fine line between taking these into account and thinking too precisely on the event.

As a serial offender when it comes to overthinking, I am painfully aware of the inaction this can cause. Sometimes, the best thing to do is listen to your gut: if it is telling you that something is not right, it probably is not.

*Sam Rees-Adams is director of professional standards at the Institute of Financial Planning*



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### Financial Planner

#### Blackburn

to £80K plus bonus & benefits

This award-winning chartered accountancy practice has developed an unrivalled reputation for its services across Lancashire, and is now looking to bolster its financial planning operation with the appointment of an experienced IFA. Working collaboratively with the Partners of the practice, you will provide a complete service to an existing portfolio of clients that will be made up of HNW individuals and owner-managed businesses. This, coupled with a comprehensive support infrastructure, will enable you to thrive in the role, spending your time in front of clients, developing relationships and business. You will be rewarded with a market-leading basic salary and excellent benefits package, along with the opportunity to work within a forward-thinking business that adopts a truly client-centric ethos.

### Administrator

#### Leicester

to £22K plus benefits

Currently enjoying a period of continued success, this boutique wealth management firm is looking to bolster its well-established Back Office Team with an experienced individual, to provide administrative support to a busy IFA Team. More specifically, this will include the processing and submission of new business and policy tracking, as well as the preparation of annual reviews for Advisers' client meetings. You will also be required to obtain quotes, assist with product research and financial reports, as and when appropriate. Previous experience within Financial Services is prerequisite and specific knowledge of investments, pensions and IHT cases would be highly beneficial. You will benefit from comprehensive support in your professional development, with full financial provision for further study and qualifications.

### IFA

#### Newcastle

to £35K plus £5K car allowance, bonus & benefits

A highly respected and leading independent Insurance Broker, with a long-established Financial Services Division, requires the first Adviser for its most recently launched satellite office. Benefiting from the established corporate relationships on the insurance side of the business, you will work closely with the Broking Team in order to generate new business opportunities with their clients, as well as working together to source new business. With various auto enrolment staging dates on the horizon, combined with the make-up of the existing client bank, there is huge potential to generate substantial levels of business. As well as an attractive salary and competitive bonus structure, you will receive a comprehensive range of additional benefits including car allowance, health cash plan, group life cover and pension.

### Pensions Implementation / Account Manager

#### Leeds

to £35K plus benefits & excellent progression

This recently established but already thriving Auto Enrolment specialist has reached a key stage in its growth, having already implemented a large number of schemes, with a vast array of additional clients already committed to 'going live' on their respective staging dates. As such, it requires a Pension Implementation Consultant, with some experience of payroll, to assist the Head of Operations. Adopting a collaborative approach, you will assist them with the set up and management of large volumes of Auto Enrolment schemes, having regular ongoing contact with clients in an account management capacity. The basic salary will be commensurate with experience, and you will enjoy a comprehensive range of benefits. Given the rapid growth scheduled for this business over the next 12-18 months, this role also offers excellent opportunities for quick progression.

### IFA

#### Nottinghamshire

to £55K, plus uncapped bonus & benefits

Already boasting various satellite offices across the UK, this expanding IFA practice is looking to establish roots in the Nottinghamshire area, with the opening of its first office in the region. Despite the lack of a regional hub, one of the founding Directors is based locally, and has developed a substantial client bank of HNW / UHNW individuals. You will inherit existing clients with portfolios ranging from £250K - £2M, and will provide expert, whole of market financial planning solutions. Working in close collaboration with the Director, you will further enhance its reputation across the Midlands, generating new business opportunities and further professional connections through effective networking, ensuring the new office hits the ground running. Remuneration is negotiable, with no upper limit to the basic salary, and you will also enjoy an uncapped bonus scheme and comprehensive benefits package. This role represents an opportunity to play a pivotal role in the latest stage of the company's significant growth plans.

### Paraplanner

#### Leamington Spa

to £30K plus benefits

Having established a strong presence in the local market through the development of key relationships with reciprocal introducers, my client is looking to enhance its back-office Support Team with the appointment of an experienced Paraplanner. You will provide support to the Consultant by conducting research to provide solutions to meet their clients' needs, recommending an appropriate course of action through suitability letters presented to the Consultant. You must be technically-minded and hold full FPC as an absolute minimum, though it would significantly strengthen your application if you have already obtained, or made strong progress towards Diploma qualification. My client is offering a highly attractive basic salary and comprehensive benefits package, and will provide hands-on support in your career development.

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### Sales Manager – Private Client

**Dorset / Hampshire - To £85,000 + benefits and bonus**

Ref: 4636

My client is a leading provider of advisory services throughout the UK. This is a key management role to support and deliver a successful fee based financial planner and wealth management team. You will need to inspire, motivate and manage the adviser team, strive to achieve team objectives and expectations, create new business opportunities and enable business development. You will be involved in the recruitment of the adviser team, build and implement a business plan and make sure it's achieved. You must be at least Diploma level, preferably Chartered status, have proven skills in the leadership of a team and the ability to network and develop the business and team.

### Wealth Financial Planner

**City - £45,000 - £60,000 + benefits inc pension, DIS and discretionary bonus.**

Ref: 4613

My client is a long established independent investment management company dedicated to the maintenance and preservation of the asset base and wealth of its clients. They are looking to recruit an experienced consultant with strong pensions experience and a good all round knowledge of other planning subjects, ideally with cash flow modeling capability. This is a team role and whilst you will have first lead on a number of clients you will be working closely with the discretionary investment managers and advising a range of financial planning advice including VCT's and EIS's.

### Senior Paraplanner

**City - Up to £60,000 depending on experience**

Ref: 4608

My client is an established and very successful practice providing a wide range of expertise and knowledge in financial planning advice and wealth management for HNW and UHNW clients. Working with two partners, this role is to build and manage a paraplanning service, mentor others and be responsible for the overall operational function. This is a challenging role so you must have leadership skills as well as in depth research and report writing experience. To qualify you must have at least 4 years' experience within the Professional or Financial Services sector and have strong technical knowledge including the pension transfer market. The Diploma must be attained as a minimum and ideally you will also have AF3 or G60.

### Senior Paraplanner

**Manchester - To £40,000 depending on experience + benefits**

Ref: 4622

My client is an independent financial advisers in Manchester serving clients throughout the UK and overseas and advising on retirement advice, tax efficient investment, risk management and insurance as well as estate planning. The role will focus, although not exclusively, on DB pension transfer business, assisting the MD on cases gained from intermediaries as well as their UK and international advisers. You could be an experienced paraplanner or someone looking to move into paraplanning but with a background of working in financial services for an IFA or as an IFA.

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## MY BEAUTIFUL CAREER

# Meera Hearnden

The senior investment manager at Parmenion on her passion for the industry and managing the work/life balance

### What was your first job in financial services?

While studying, I worked as a shares registrar at Computershare Services, dealing with customer enquiries on publically-listed shares in its call centre. During my time there I got a real flavour of what it meant to own shares and of the importance of investing. The experience totally shaped my career. As soon as the studies were over, I got a job with Hargreaves Lansdown and, after 15 years there, I joined Parmenion.

### Describe your current role.

As senior investment manager I am involved in all aspects of portfolio management. On top of meeting fund managers and conducting in-depth analysis, I provide a supporting role to our sales team by looking after regular reporting for a number of our advisory firms. Somehow, I also make the time to provide regular contributions on financial commentary to the press. It continues that link to the end investors that led me in this career in the first place.

### What is your biggest challenge currently?

From a personal perspective, it is juggling home life and children with work. This is perhaps why there are not more

**My biggest challenge is juggling home life and children with work. This is perhaps why there are not more women in senior roles in our industry, which is a real shame**

women in senior roles in our industry, which is a real shame. I am lucky my employer is very flexible and supportive; it makes a huge positive difference to my life. From a professional perspective, it is the workload but I am not complaining. I love the varied nature of my role and the involvement in all aspects of the fund management process.

### What has been the highlight of your career to date?

Working for what was once a small private company and being part of its growth and entry into the FTSE 100. At Parmenion, that same special energy is there although with much more sophisticated technology. It is exciting to be part of that kind of successful momentum with the opportunity to make a difference again.

### What is your career ambition?

To see greater efficiency within portfolio management generally, as well as higher levels of financial education among the public. With a higher appreciation of finance, the value of advice and portfolio management becomes even clearer, which would help reduce the advice gap.

### How would you advise someone starting out in the industry?

Challenge yourself with all types of work and learn from experience. Stay honest and humble and you will be a respected and more rounded person for it.



## People on the move



Legal & General Investment Management has appointed Professor

**Paul Sweeting** to the new role of head of research in the LGIM Solutions Group. Sweeting joins from JP Morgan Asset Management, where he was European head of the strategy group. Prior to this he was a professor of actuarial science at the University of Kent. At LGIM, Sweeting will be responsible for global research in investment strategy, outcome-oriented investing, risk management and asset-liability modelling. He will also work on longevity solutions across Legal & General.



Ex-FSA chief **Sir Hector Sants** has been appointed chairman of Julius Baer International, succeeding Gian A. Rossi. Rossi has been chairman for the last nine years and will remain actively involved with the firm's business in the UK. Sants, who is also working as vice-chairman and partner at Oliver Wyman, was FSA chief executive between 2007 and 2012. He joined the regulator from Credit Suisse First Boston, where he had been chief executive for Europe, the Middle East and Africa.



PMS founder **John Malone** has been appointed non-executive chairman of Bournemouth-based packager Positive Lending. Malone, who left PMS at the end of 2013, started his financial services career in 1960 and held roles at Citibank, Cedar Holdings, FS Insurance, and Slater Hogg & Howison before becoming managing director of Mortgage Shops, under the Slater Hogg Mortgage and Financial Services banner. In 1996, he launched PMS as part of Scottish Amicable.



Former Personal Touch Financial Services sales and commercial director **Jonathan White** has joined Mortgage Brain as one of its new lender development managers. White left PTFs in September 2013 and has since worked as sales and marketing director for Sprint Enterprise Technology, a firm offering software to financial advisers. Prior to PTFs, White was head of strategic relationships at 1st Exchange, which has since rebranded as Avelo and then Iress. He has also worked at Sesame.

Government-backed pension scheme Nest has appointed a new chief executive **Helen Dean** to replace Tim Jones. Dean, currently Nest's executive director of product and marketing, will take over the role in the autumn. She was a civil servant for 30 years and joined Nest in 2014 after being seconded there from the Department for Work and Pensions.

**Andy Brodie** is new head of operations at Standard Life Wealth. He was previously director, head of UK and Western Europe and global head of credit operations at Barclays Wealth and Investment Management. Brodie will focus on operations and platform strategy, managing the discretionary fund manager's operations function and third-party suppliers. He replaces Karen Storie, who becomes the firm's head of business management.

Platform James Hay has appointed **Mark Fleet** as commercial director. Fleet joins the firm at the end of this month from Skipton Building Society, where he held roles including chairman of its advice division and distribution director.

Former Direct Line chief operating officer **Jonathan Davidson** has been appointed to the new FCA role of director of supervision for retail and authorisations. Davidson, currently an adviser to private equity and financial services firms, will take up this newly created position in the autumn.

# Developmentfocus

## The value of CPD

CPD is seen as a necessary evil but it shows the industry can be trusted to keep its knowledge current



**CATRIONA  
STANDINGFORD**

**C**ontinuing professional development is often seen as a necessary evil that people in financial services must put up with.

It wastes valuable time that could be better spent doing something else and causes a headache when it comes to filling out your yearly log.

But is that fair? Should we all groan when CPD logs have to be filled out or should we view it as a necessity that genuinely matters and does not have to be a headache?

In this article, I will look at what CPD is, its purpose, the problems regarding its perceived value and what one firm is doing to ensure it is achieved with minimal fuss.

Regardless of which professional body you ask, it all boils down to the same thing: CPD is essential to ensure all financial services professionals keep their skills and knowledge up to date. There is a minimum requirement of 35 hours of CPD activity in a 12-month period.

Of those hours, 21 must be structured, which involves a formal activity with a specific learning outcome that meets a person's development needs.

It must be measurable and relevant to their role, and last at least 30 minutes. Examples include conferences, seminars and studying for exams.

Unstructured CPD can make up the remaining hours and while it must also be relevant to a person's role, it does not have to be designed around their development needs. A popular



example is reading articles in trade publications.

This is where the perception of the value of CPD becomes an issue. Some "CPD-accredited" activities are laughed at and considered an easy few hours for the log. For example, product providers holding events masquerading as educational when in reality it is more about selling a product, or seminars run by companies that focus on technical knowledge but only from an angle that suits them. Meanwhile, you can always conjure up some reading time over a year to get to the magical 35 hours.

However, some firms do take CPD extremely seriously and offer a well thought-out and structured programme for their staff. I was recently looking at how a network structured CPD for its members and was struck by how seriously it was being taken and how well thought-through the entire programme was.

On offer are specific events across all areas, delivering structured CPD for at least the required 35 hours. Even better, these events are offered on multiple occasions, making it easy for their members to schedule

**Some 'CPD-accredited' activities are laughed at and considered an easy few hours for the log. For example, product providers holding events masquerading as educational when in reality it is more about selling a product**

them in and achieve their yearly requirement with little fuss. What is most striking, though, is these events are not laid on as specific CPD tick-boxing exercises but as valuable sessions. Now there is a firm that takes CPD seriously. It certainly results in staff being kept up to date and relevant.

I have no doubt CPD is an important element of financial services. Not only should it show an individual is up to date but, perhaps more importantly, it demonstrates to the consumer that financial services professionals can be trusted to keep their knowledge current in order to provide the best service.

Perhaps the relevant professional and accreditation bodies should look at the issues surrounding the perception of CPD and tighten up requirements in order to give its role the respect and reputation it deserves. Couple that with firms viewing CPD as an essential part of business and giving it priority, and the outcome can only be that of a well-rounded and well-respected profession.

*Catriona Standingford is managing director at Brand Financial Training*



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Are you an experienced, professional financial adviser with a track record of success (whether from an IFA, tied, or banking background) who wants to work with a high profile and highly successful Professional financial services business? Our client is one of the UK's leading financial services and accountancy businesses with an excellent reputation and "blue chip" name who are looking for additional key members for their financial planning division. For candidates with an excellent track record, a professional approach to post RDR advice and the drive to help this company continue its success, as well as a level of technical and social confidence and credibility to work well with both clients and accountancy partners. On offer will be a first class salary and bonus package, as well as excellent career prospects.

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### Employed IFA – Professional Clients

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Our client is one of the UK's pre-eminent true IFA businesses that has grown an enviable position providing financial advice to key professionals around the UK. They have an excellent and well supported package including salary, expenses, full technical support and also a very attractive validation and bonus structure. They are now looking for additional advisers to work with their clients and referrals from the medical professions. You will enjoy access to leads provided through a link up with one of the UKs most highly regarded professional institutions and be expected to supplement this through your ability to drive extra client traffic through referrals and other initiatives in this specialist marketplace. To secure this high value role you will be an existing level 4 qualified financial adviser and will have experience of dealing with professional clients and an excellent track record.

### Employee Benefits Consultant – High Profile Business

**North West England**  
**Salary to £60,000 Excellent OTE**

If you are you an experienced employee benefits consultant with a track record of success who wants to work with a high profile and highly successful Professional financial services business then we want to talk to you Working with a combination of existing clients and lead referred to you by accountancy staff you will need not only good client facing skills but also internal relationship management and influencing skills. For candidates with an excellent track record, and a professional approach, as well as a level of technical and social confidence and credibility to work well with both clients and accountancy partners. On offer will be a first class salary and bonus package, as well as excellent career prospects.

### Employed Financial Adviser– Professional Clients

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A great opportunity for a Senior Paraplanner/Practice Manager has arisen with a leading Wealth Manager in London. The role will involve managing the business. Client interaction will be an integral part of the role along with the production of suitability reports and product research. You will be qualified to Diploma level and have a background working with HNW individuals.

Please contact John Heffernan on 01702410456/John@coastrs.co.uk

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## Paraplanner

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## Paraplanner

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A weekly account of the curious goings-on in the world of financial services

## Keep your friends close...?



**McClymont:**  
New role at  
Aberdeen Asset  
management

It is starting to look like Gregg McClymont might have had the odds stacked against him when fighting to hold on to his seat of Cumbernauld, Kilsyth and Kirkintilloch East.

Labour's pensions boffin was one of the many MPs north of the border to lose his seat to the Scottish National Party, in this case former immigration lawyer Stuart McDonald. But McClymont's loss was Aberdeen Asset Management's gain as he has been named head

of retirement savings at the firm helmed by Martin Gilbert, a close friend of, err, former SNP leader Alex Salmond.

The Labour man previously accused the SNP of stealing pensions policy from his party, so quite what he will think about his new boss being bezzie mates with the man who helped orchestrate the party's demise remains to be seen.

Perhaps a case of keep your friends close, keep your enemies closer...

## Villagers' joy at L&G exit

The news that Legal & General is to close its flagship Surrey headquarters has been met with joy from neighbouring villagers, WSJ has learnt.

WSJ's sister title *Money Marketing* recently revealed L&G's plans to close its 50-acre Kingswood office, which employs 1,700 people.

The site is described on L&G's website as a "truly exceptional working environment" with a "campus-like atmosphere", complete with a swimming pool and tennis courts.

But WSJ can reveal working life at the office was a far cry from this Center Parcs-esque heaven.

An insider, who worked at the

site for several years, says the location meant staff were regularly trapped in the car park at the end of the day.

The source says: "There was only one route out of the car park, so if you tried to leave at 5 o'clock you got stuck. It was like trying to leave a concert every night.

"Plus the only way out was to drive through a tiny village. Once, the villagers got so angry with the traffic they blocked the exit to the car park with caravans."

WSJ was unable to confirm rumours the caravan blockade was organised by rival auto-enrolment providers attempting to gain an edge on their rival.

## OUT OF CONTEXT



### "You're taking photos of the car crash, but I'm in the vehicle"

Hargreaves' Tom McPhail has a sunny disposition on the morning of the Summer Budget

### "I feel like a student who voted LibDem in 2010"

Towers Watson senior consultant David Robbins is distraught by Treasury plans to rip up the pensions tax system

### "There was a rather cheeky whistle coming from behind you, governor, and I wasn't quite sure what it was!"

Mark Garnier MP goes for the punchline after a mobile phone rings while MPs grilled Bank of England governor Mark Carney

### "I've heard a rumour that it is only a rumour"

A confusing tip-off from F&TRC's Ian McKenna

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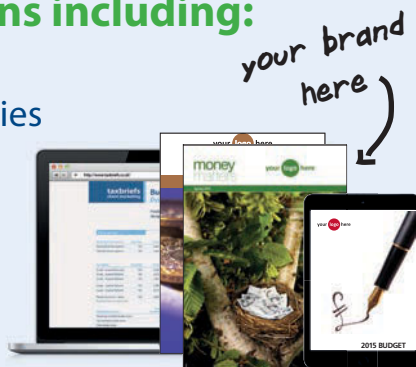
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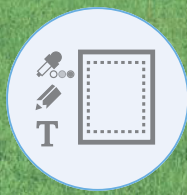
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